

LESSON PLAN

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As we welcome the Fall 2025 edition of *Lesson Plan*, I'm thrilled to introduce myself as the Director of Internal Audit here at Cerini & Associates. I'm honored to be stepping into the role previously held by Shari Diamond, who will be retiring this December after 17+ years of dedicated service to our clients and firm. Shari's legacy of insight, integrity, and partnership has set a high bar, and I'm excited to continue that tradition as we work together to support our school districts.

This edition of *Lesson Plan* brings together timely and practical guidance to help districts navigate the evolving landscape of education finance and operations. We've included articles that address both immediate challenges and long-term planning:

- ***Contracts Today, Budgets Tomorrow*** is a look at how collective bargaining agreements can shape your district's financial future and why long-term planning is more important than ever.
- ***Reputation – It's Not Just a High School Thing*** reminds us that reputational risk is real and often hinges on perception, not policy.
- ***Phones Away, Plans in Play*** breaks down the new bell-to-bell cell phone ban and how districts can manage compliance and costs effectively.
- ***Imputed Income Calculations*** – something clients often ask about, offers clarity on how to handle domestic partner coverage and its tax implications for employees and retirees.
- ***Lunch Money Leftovers: Stirring Up a Smart Spend-Down Plan*** outlines how to manage excess cafeteria funds under new state guidelines and avoid compliance pitfalls.
- ***Free and Reduced Means More Than a Meal*** offers strategies to help districts encourage families to continue completing the Free and Reduced-Price Meal Application. Even with universal free meal policies in place, these applications remain essential for securing critical funding and ensuring vital support services for students.
- ***Balancing the Books, Building Stronger Schools*** discusses how sound financial stewardship empowers districts to invest more where it matters — in students and their futures.
- ***Pop Quiz! Do You Know The New Cyber Rule?*** - what you need to know about the latest cybersecurity mandate for schools.

As always, our goal is to be a resource you can rely on - whether you're reviewing budgets, refining policies, or responding to new regulations. I look forward to working closely with you and continuing to build strong, collaborative relationships across our school communities.

Erin Teta

CONTRACTS TODAY, BUDGETS TOMORROW: PLANNING FOR THE LONG TERM

As internal auditors, one of the recurring themes we see across school districts is how decisions made today, especially in **collective bargaining agreements (CBAs)**, can shape financial realities for the next decade.

When negotiating new contracts, it's natural to focus on immediate needs: fair wages, competitive benefits, and the impact on next year's budget. But CBAs often cover a multi-year period, with some as long as ten years. That means what feels sustainable now may look very different five or eight years from now when enrollment shifts, state aid changes, or health insurance costs continue their steady climb.

Recent reviews highlight why this matters. In many districts, salaries and benefits already make up nearly three-quarters of the total budget. Add in transportation, special education services, and rising health insurance premiums, the flexibility to absorb new costs quickly disappears. Even small changes like step increases or lane movements in salary schedules can compound into millions of dollars in additional obligations over time. Similarly, provisions that lock in fixed-dollar employee health contributions may appear manageable today, but as premiums rise 7% or more annually, the district's share balloons.

It's not just about payroll. Enrollment changes, the opening of a charter school(s), or unexpected spikes in transportation costs can all strain budgets in ways that were not anticipated when contracts were first signed. Without a long-term view, districts risk committing to promises that future revenues may not support, leading to tough choices down the road.

SO, WHAT CAN BE DONE?

- ***Adopt multiyear financial plans*** that model revenues and expenditures over the life of a contract.
- ***Run scenarios*** — best case, worst case, and realistic middle ground, to test how resilient the budget is under different conditions.
- ***Track demographic and enrollment trends*** closely to anticipate where services (and costs) may increase.
- ***Revisit healthcare contributions and benefits structures*** to ensure they remain aligned with actual costs.

The goal is not to avoid making commitments, but to ensure those commitments remain sustainable, so that the district can continue to meet its obligations to staff while still investing in programs, classrooms, and student success.

Long-term planning is not just the best practice, it's a safeguard. By looking beyond today's numbers, districts can make sure that the contracts negotiated now don't inadvertently limit tomorrow's opportunities.

ERIN TETA, CIA
DIRECTOR

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REPUTATION:
*IT'S NOT JUST A
HIGH SCHOOL THING*



As the new school year begins, district leaders are focused on setting the right priorities—balancing budgets, managing staffing, and ensuring a smooth start for students. One area that deserves equal attention is reputational risk.

In today’s environment, a district’s reputation can be impacted in minutes. One comment, one photo, or one poorly timed decision can circulate through social media before the full story is known. Once that happens, it can be difficult to regain control of the narrative.

While financial, compliance, and operational risks are regularly addressed, reputational risk is different—it’s about safeguarding the trust and confidence your community places in you. That trust is one of your district’s most valuable assets, and once lost, it can take years to rebuild.

Recently, a district faced significant community backlash over what was intended to be a simple, celebratory event. While no policies were technically violated, the optics led to questions about judgment and sensitivity. What could have been a positive community moment instead required days of damage control and Board attention.

The takeaway: reputational risk is often less about whether something is “right” or “wrong” and more about how it is perceived.

REPUTATIONAL RISK READINESS CHECKLIST

1. CLEAR POLICIES

✓ Ensure staff understand expectations for conduct, neutrality, and public messaging.

2. CONSISTENT OVERSIGHT

✓ Have controls in place to identify and address potential red flags—financial or otherwise—before they become public.

3. COMMUNICATION PLAN

✓ Define who will respond, how quickly, and with what message if an incident occurs.

4. COMMUNITY AWARENESS

✓ Evaluate decisions through the lens of community values and expectations.

5. SCENARIO PLANNING

✓ Test your readiness by running through hypothetical situations involving media or social media attention.



Strong policies, consistent oversight, and thoughtful communication are your best defense against reputational harm. Addressing reputational risk at the start of the school year ensures your district is prepared to maintain the trust and confidence of the community all year long.

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ERIN TETA, CIA
DIRECTOR

PHONES AWAY,
PLANS IN PLAY:
BELL-TO-BELL BAN -
WHAT TO KEEP IN MIND



New York’s new “bell-to-bell” cell phone ban is now in place. From the first bell to the last — yes, even lunch and recess — students no longer have access to their phones. The idea is simple: more focus, fewer distractions, and better face-to-face connections.

Districts had until August 1 to finalize and post their policies, and most have now picked a storage option — from classroom caddies to central lockers to lockable pouches. The state set aside \$13.5 million to help cover those start-up costs.

NOW THE REAL WORK BEGINS

While the deadline is behind us, the real work is still beginning. Managing the ban isn’t just about the initial purchase, it comes with recurring expenses and effort.

- ▶ Staff time to collect, monitor or distribute devices
- ▶ Any necessary training for faculty and staff
- ▶ Replacements and upkeep of storage systems and processes

HOW AUDITORS CAN HELP

Think of your auditors as partners here. This is how they can help:

- ▶ Double-check your posted policy lines up with state rules.
- ▶ Verify grant dollars were spent only on approved storage solutions.
- ▶ Review voucher packets and expense coding so everything stays clean and compliant.

QUICK CHECKLIST FOR YOU

- ✓ Confirm your storage solution is up and running — and properly categorized in your budget.
- ✓ Build those recurring costs into your long-term plan.
- ✓ Keep your auditors in the loop early so they can help you stay ahead of any issues.

The deadline may be behind us, but the work isn’t. Now’s the time to budget smart, fine-tune your controls, and use your auditors as allies to keep things running smoothly.

RICHARD RONGO
STAFF ACCOUNTANT

DOMESTIC PARTNER IMPUTED INCOME CALCULATION

A number of our clients have requested information regarding the calculation for imputed income for a domestic partner, especially if it involves a retiree. When an employee or retiree enrolls their domestic partner or their partner’s child in one of the district’s health plans, the IRS considers the district’s contribution toward the additional coverage as the employee’s imputed income. The person’s imputed income is the district’s contribution toward the additional coverage for the domestic partner and/or the partner’s child. If an employee, the amount to cover an employee’s domestic partner and/or partner’s child would be a post-tax deduction through a payroll deduction (*as opposed to pre-tax for medical coverage for other enrolled family members*).

EXAMPLE A: If a person enrolls their domestic partner and his or her child, the imputed income would be the difference between the district’s contribution single coverage and family coverage.

EXAMPLE B: If a person enrolls their domestic partner, the imputed income would be the difference between the district’s contribution for family coverage and single coverage.

A sample calculation chart is below:

A	B	C	D	E	F	G	H
COVERAGE	MONTHLY PREMIUM \$	# OF MONTHS	ANNUAL COST	CONTRIBUTION %	ANNUAL RETIREE COST	FAMILY - SINGLE	ANNUALIZED DIFFERENCE
SINGLE	\$1,445.66	12	\$17,347.92	10%	\$1,734.79		
FAMILY	\$3,367.09	12	\$40,405.08	10%	\$4,040.51	\$2,305.72	\$15,042.20
MED SINGLE	\$548.95	12	\$6,587.40	10%	\$658.74		
MED FAM 1	\$1,654.92	12	\$19,859.04	10%	\$1,985.90	\$1,327.16	\$5,260.24
MED FAM 2	\$1,498.01	12	\$17,976.12	10%	\$1,797.61	\$1,138.87	\$5,448.53
			(B*C)				(D-H)

Imputed income is separate from – *and in addition to* – a person’s monthly plan cost. Imputed income applies even if the person pays no monthly cost for their medical plan. The amount of the person’s imputed income depends upon the plan in which the employee enrolled in as well as the level of coverage.

Imputed income is taxable – that is, it increases an employee’s taxable gross income for federal and state income taxes as well as for FICA (*Social Security and Medicare*) and taxes are withheld from the employee’s paycheck. The employee’s imputed income is reported on the annual Form W-2. For a retiree, the income would be reported on a 1099-MISC.

SHARI DIAMOND, CIA
PARTNER



LUNCH MONEY LEFTOVERS: STIRRING UP A SMART SPEND DOWN PLAN

Starting in the 2025-2026 school year, all **New York State School Food Authorities (SFAs)** that participate in the federal school lunch and/or breakfast programs are required to provide reimbursable school meals at no cost to ALL students. The State will reimburse SFAs up to the combined state and federal reimbursement rate for a free meal for each federally reimbursed reduced-price and paid meal claimed.

During the pandemic, all lunches were required to be free, and many schools experienced a surplus of cash in their school lunch fund where they had a deficit in the past. The new law will likely put schools in a similar position with a positive ending fund balance; however, schools are limited in how much funds can be maintained, generally capping at 3 months' average operating expenditures from the food service fund and are required to implement a plan to spend down excess funds. Effective July 1, 2024, the USDA has approved NYSED to increase the net cash resource limitation to 6 months average operating expenditures. Per a memorandum from the Child Nutrition Program Administration dated August 25, 2025, the **New York State Education Department (NYSED)** will ensure compliance with net cash resources through annual reviews of SFAs' financial data. SFAs with 6 months or more excess net cash resources are required to submit an excess fund balance spending plan to SED, and notification will be sent beginning in November.

The purpose of the federal limit is to ensure that a school cafeteria operates as a nonprofit enterprise, using its revenue to benefit the food service program and not accumulate excessive funds.

- ▶ **Fund purpose:** *The funds should be used for the operation and improvement of the school food service.*
- ▶ **Exceeding the limit:** *If a school food authority (SFA) exceeds the allowable balance, it must submit a "spend-down plan" to its state education department detailing how the surplus will be used to benefit students. Without an approved plan, the state may take back the excess funds.*

New York public schools can spend down excess operating funds from their school food fund by investing in cafeteria equipment, improving food quality, or purchasing supplies directly related to the child nutrition program. NYSED requires that all expenditures be necessary, reasonable, and related to the operation and improvement of the child nutrition program.

ALLOWABLE USES INCLUDE:

- ▶ **Purchasing new equipment:** *Items such as stoves, ovens, refrigerators, milk coolers, serving counters, cash registers, tables, and chairs are acceptable. Schools must follow proper procurement procedures for all equipment purchases.*
- ▶ **Improving food quality:** *This can involve adding more choices to the menu, using higher-quality ingredients, or purchasing equipment to prepare fresher meals.*
- ▶ **Marketing and promotion:** *Materials and supplies to promote school breakfast and lunch programs are an acceptable use of funds.*
- ▶ **Hiring program personnel:** *Staffing costs for employees who work directly in the school food service program are an allowable expenditure.*
- ▶ **Investing in food service supplies:** *This includes general supplies, utensils, and other consumables needed for the daily operation of the food service program.*

NYS and federal regulations strictly prohibit using school food service funds for purposes unrelated to the child nutrition program. The following are unallowable expenditures:

- ▶ **Capital improvements:** *Funds cannot be used for building construction, purchasing land, or major renovations like plumbing, heating, or air conditioning. These costs must be borne by the district's general fund.*
- ▶ **Non-food service items:** *The funds cannot be used for transportation, general curriculum materials, or computers for instructional purposes.*
- ▶ **Non-program-related costs:** *The funds cannot be used for staff entertainment, gifts, incentives, or general administrative costs not directly supporting the food service program.*

If a **school food authority (SFA)** has net cash resources that exceed the six-month operating limit, it will be notified by NYSED and must take action. The process is as follows:

- ▶ **Notification:** *NYSED will notify SFAs with an excess fund balance via email after reviewing financial data submitted by October 31 of each year.*
- ▶ **Submit a plan:** *If notified, the SFA must submit a plan outlining how it will spend down the excess funds, with a target completion date by June 30 of the current school year.*
- ▶ **Justify extensions:** *Any request for an extension beyond the June 30 deadline requires a detailed justification for NYSED approval.*
- ▶ **Prevent reoccurrence:** *The spending plan must also include a narrative detailing how the SFA will prevent an excess fund balance from accumulating in the future.*
- ▶ **Document all expenses:** *Proper procurement procedures must be followed, and all spending must be well-documented and auditable.*

For more guidance on managing your nonprofit food service account, additional resources are available on the [Child Nutrition Website Financial Management page](#).

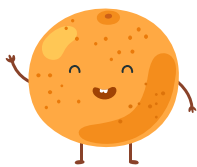
SHARI DIAMOND, CIA
PARTNER



FREE AND REDUCED MEANS MORE THAN A MEAL



Beginning in the school year 2025-2026, New York State passed a law for Universal Free School Meals, meaning that all **School Food Authorities (SFAs)** participating in the federal school lunch and/or breakfast programs are required to provide reimbursable school meals at no cost to all students. While that’s great news, families will be less incentivized to complete the free and reduced school meal application, which can impact other funding a school is able to obtain. This can include Title I funds and other grant funding. But there are also monetary benefits for the families such as discounts for school music instruments rentals, textbook fees, athletic fees, technology fees, and fee waivers for college applications and admissions tests such as the SATs and ACTs.



Here are some strategies to encourage families to complete the application.

TEAMWORK:

- ▶ *School nutrition operators should not be the only department trying to get families to complete the forms. Have the school nutrition operators work with district leaders to promote the benefits of completing the application.*
- ▶ *Guidance counselors and social workers are often on the front line and can help identify needs and work with families.*
- ▶ *Team up with community organizations to ask for their help with outreach to families.*
- ▶ *Provide anyone who is assisting with outreach with resources, like a phone script and/or answers to FAQs about the form.*
- ▶ *Working with families to complete the form, whether it is online or paper, can make a difference.*

CLARIFY BENEFITS:

- ▶ *Explain the benefits a family can receive by completing the form help as well as highlighting that the benefits are available regardless of citizenship status.*
- ▶ *Send a letter to families from superintendents/principals explaining how income forms impact school funding.*

COMMUNICATION:

- ▶ *Some families may be reluctant to complete the application as it can be unclear who is reviewing the form. Include a brief cover letter with the form/application explaining what families need to know about submitting the form and why it is important.*
- ▶ *Provide a list of **frequently asked questions (FAQ)** with answers to commonly asked questions.*
- ▶ *Utilize school events to offer hands-on assistance with the form at back-to-school nights and other events.*
- ▶ *Send multiple reminders about completing the form through multiple channels, such as robo-calls, parent newsletters, emails, text messages, social media.*
- ▶ *Bundle the form in the back-to-school packet of paperwork that families are required to complete.*

KEN CERINI, CPA, CFP, FABFA
MANAGING PARTNER



BALANCING THE BOOKS, BUILDING STRONGER SCHOOLS



Managing a school district involves far more than delivering quality education. District leaders must balance transparency, compliance, and fiscal stability — all while keeping student opportunities front and center. With limited staffing resources and ever-changing accounting standards, these demands can be challenging to meet.

Outsourced accounting services can offer valuable support for school districts seeking to strengthen their financial operations. Here are some important considerations and practical tips for districts exploring this option:

1. ENSURING COMPLIANCE WITH NYS MANDATES

Public schools in New York must navigate complex regulatory requirements, such as oversight from the Office of the NYS Comptroller and annual audits for federal funds. It’s crucial for school districts to stay informed about evolving regulations and maintain up-to-date accounting systems. Utilizing outside expertise to monitor compliance can help district leaders focus on strategic decision-making rather than deciphering technical rulebooks.

TIP: Regularly review updates from state agencies and consider periodic training for staff on compliance and reporting requirements.

2. STRENGTHENING INTERNAL CONTROLS AND SAFEGUARDING ASSETS

Strong internal controls are vital to protecting taxpayer resources. Smaller districts may face challenges in maintaining segregation of duties, a key element in preventing errors or fraud. Engaging additional support, through outsourcing, can help design, test, and monitor internal control procedures. One of the most common findings in school district audits is inconsistent reconciliation of bank statements and payroll records. Districts should commit to reconciling these accounts monthly—whether handled internally or through an outsourced provider. This simple habit helps catch issues early and provides early warnings of issues long before yearend.

TIP: Establish clear processes for reconciling bank accounts, posting general ledger entries, and reviewing budget transfers. Periodic internal audits can also help identify and address any weaknesses.



3. REDUCING ADMINISTRATIVE BURDEN ON DISTRICT STAFF

Outsourcing certain accounting functions can alleviate workload pressures on district personnel, allowing staff to concentrate on core educational priorities. By delegating specialized financial tasks to professionals, districts can improve efficiency, reduce errors, and ensure important deadlines are met.

TIP: Evaluate which accounting functions are most time-consuming or require specialized expertise and consider outsourcing those areas to free up in-house capacity.

4. ACCESSING SPECIALIZED EXPERTISE AT A LOWER COST

Hiring and retaining in-house accounting professionals can be challenging due to strong competition for CPAs and the high costs associated with recruiting, training, and retaining staff. Outsource accounting provides districts with affordable access to specialized expertise in areas such as governmental accounting, fund balance reporting, grant compliance, and capital project tracking. This approach helps districts manage their budgets more effectively while ensuring that critical financial tasks are handled by experienced professionals.

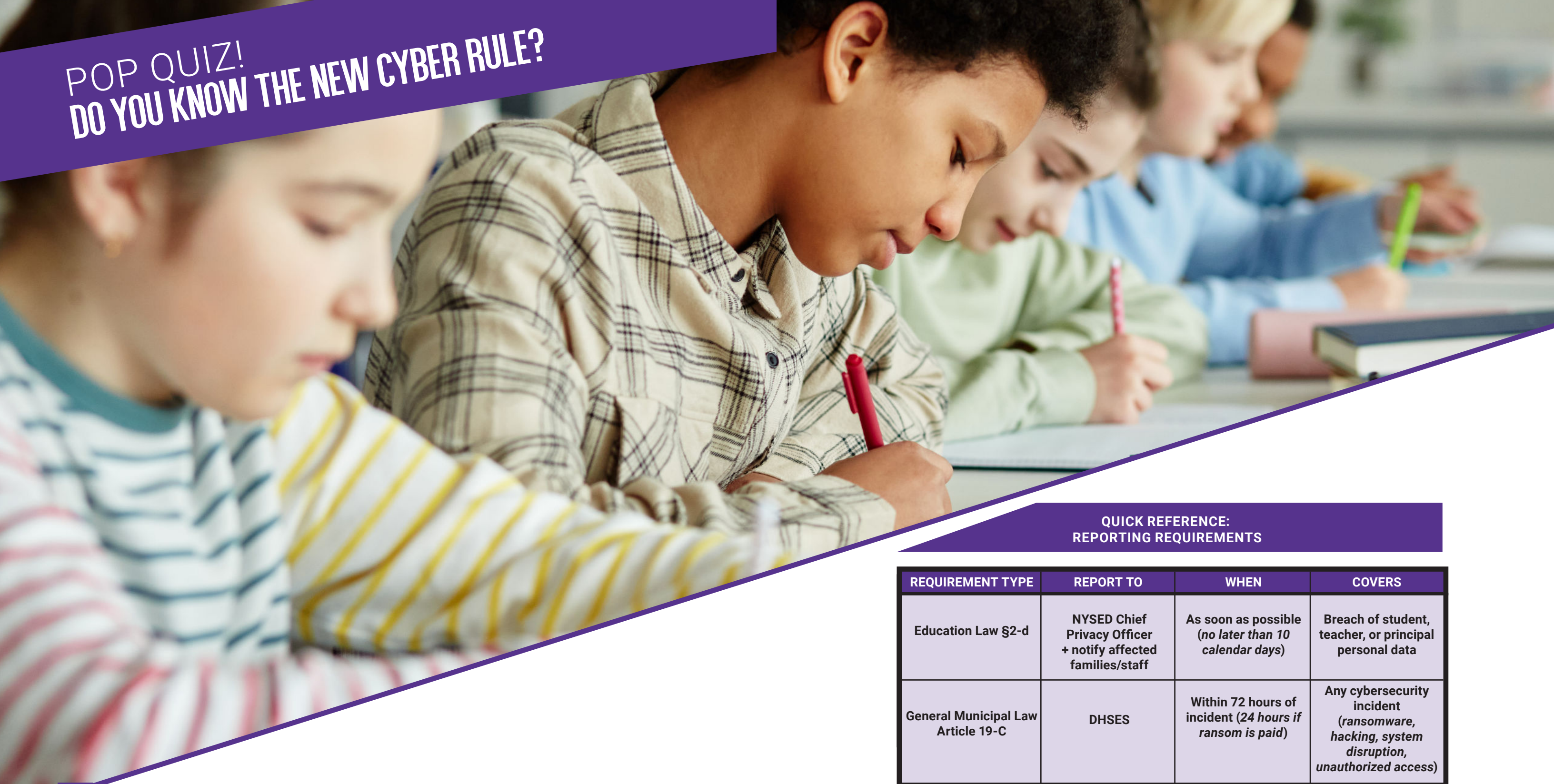
PARTNERING FOR LONG-TERM SUCCESS

School districts exist to educate children, not to manage balance sheets. Nevertheless, the financial stewardship entrusted to districts by their communities is non-negotiable. Every dollar counts, every decision should be clear and accountable, and every report must stand up to public and regulatory scrutiny.

FINAL THOUGHTS

As school districts navigate the 2025–2026 fiscal year, challenges will remain: fluctuating enrollments, rising costs, and a need for absolute financial transparency. But with the right support, these challenges can be transformed into opportunities. Partnering with experienced accounting professionals helps ensure that every dollar is accounted for, every report is reliable, and every decision is made with confidence — *so districts can stay focused on what matters most: serving students and supporting their communities.*

SUSAN STEWART
SENIOR ACCOUNTANT



POP QUIZ!
DO YOU KNOW THE NEW CYBER RULE?

Starting July 26, 2025, school districts and BOCES across New York have new responsibilities when it comes to reporting cybersecurity incidents. In the past, districts mainly had to report when student or staff personal data was exposed under Education Law §2-d. Now, under a new section of the General Municipal Law, districts must also alert the **Division of Homeland Security and Emergency Services (DHSES)** whenever there’s a cybersecurity incident — even if no personal data was involved. This covers things like ransomware attacks, hacking attempts, or disruptions to your district’s IT systems. Reports must be made within 72 hours, and within 24 hours if a ransom payment is made.

What does this mean for your district? It’s time to double-check that your team knows the reporting rules, has clear steps in place for what to do if an incident happens, and understands who will make the official report. A quick review of your policies and some staff training can go a long way in helping you stay compliant — and more importantly, in keeping your systems and community safe.

QUICK REFERENCE:
REPORTING REQUIREMENTS

REQUIREMENT TYPE	REPORT TO	WHEN	COVERS
Education Law §2-d	NYSED Chief Privacy Officer + notify affected families/staff	As soon as possible (no later than 10 calendar days)	Breach of student, teacher, or principal personal data
General Municipal Law Article 19-C	DHSES	Within 72 hours of incident (24 hours if ransom is paid)	Any cybersecurity incident (ransomware, hacking, system disruption, unauthorized access)

ACTION CHECKLIST FOR DISTRICT LEADERS

- ✓ **Review policies** – Make sure your incident response plan reflects the new reporting timelines and includes both DHSES and SED requirements.
- ✓ **Train staff** – Provide quick refreshers so employees know how to spot, report, and escalate potential cybersecurity issues.
- ✓ **Assign reporting roles** – Identify who is responsible for filing reports and ensure backups are in place in case that person is unavailable.



CERINI & ASSOCIATES LLP

CERTIFIED PUBLIC ACCOUNTANTS

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