



CENTRAL SQUARE CENTRAL SCHOOL DISTRICT

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Mrs. Maureen Phippen Ladd
School Business Manager

October 5, 2020

To Whom It May Concern:

I would like to offer the following corrective action and responses in reply to the matters addressed in the Management Letter, dated October 5, 2020 from the school district's auditor, Raymond F. Wager, CPA, PC, a division of Mengel, Metzger, Barr & Co., LLP.

School Lunch Fund Loss/Deficit

The District is aware of the negative fund balance in school lunch and understands that it must be commented on every year. This trend is becoming very common across all public schools. The current year resulted in an operating loss of \$67,193. Many factors help contribute to this situation. The Healthy Hunger-Free Kids Act of 2010 brought new requirements and guidelines to school lunch along with budget struggles. This is when our school lunch program started operating in a negative position. The nutritional requirements dictate more fruit, vegetables, whole grains and protein, which are more costly initiatives. The District is also experiencing declining enrollments, which means declining participation. With increasing mandates, it continues to be a challenge. Management has implemented many creative solutions. The District has been sharing administrative services with the two neighboring districts, APW and Pulaski. Staffing is continually reorganized to become more efficient and stay aligned with the declining participation. These measures were implemented pre COVID-19. Post COVID-19 directives mandated that all students (whether in person or virtual) must be fed breakfast and lunch. This has been a challenge like no other. Finding ways to distribute these meals, make them in bulk, etc. has again increased operating costs. School Lunch has done a great job meeting these new demands, while working to manage losses. The District continues to look at new and creative ways to increase revenues and stabilize expenditures.

Fund Balance

The Board of Education and Administration confirms that unassigned fund balance in the General Fund at June 30, 2020 exceeds the 4% maximum. Given the outbreak and continued effects of the COVID-19 health crisis, the District expects to have a significant loss in state aid in the 2020-2021 school year. In August of 2020, the Division of the Budget (DOB) issued and enacted a 20% withholding of most local aid payments. This includes public schools. Our District revenue in the General Fund budget includes approximately 55% coming in the form of state aid. If these withholdings continue throughout the year, the excess unassigned fund balance will be used completely. This will allow the district to continue to meet its obligations while we take actions to reduce future expenditures.

Internal Audit

The internal audit function has been delayed due to health and safety measures put in place in the district as well as the accounting firm. The Business Official will make arrangements to implement the process this fall. The school buildings are now open to staff and protocols are in place for visitors to safely enter.

Federal Programs

The Business Office has implemented the Uniform Grants Guidance template that the NYS Association of School Business Officials produced to meet the enhanced documentation requirements.

Cyber Risk Management

The District agrees with this communication. The entire public school community is at risk in this new data security threat landscape. The IT department as well as the entire staff are being educated on Cyber Risk. The CNYRIC has taken the lead on system protections by many different means. The District is utilizing all the new Malware and Intrusion Prevention Services that are now available. This is a developing issue across the country. The District will continue to document, assess, monitor and communicate in this changing environment.

GASB Statement No. 84

The District is aware of the new requirement to implement GASB Statement No. 84. The Business Official and Treasurer will work with the auditors to accurately modify the financial reporting accordingly.

The District feels that appropriate processes and procedures are being implemented in response to the independent auditor's management letter comments.

Please feel free to contact me if you have any further questions.

Sincerely,



Maureen Phippen Ladd
School Business Manager

MPL/jb