



# Remsenburg-Speonk Union Free School District

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## Financial Management

2025M-33 | July 2025

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# Audit Results

## Remsenburg-Speonk Union Free School District



### Audit Objective

### Audit Period

Did the Remsenburg-Speonk Union Free School District (District) Board of Education (Board) and District officials properly manage fund balance?

July 1, 2019 – June 30, 2024

### Understanding the Program

A key measure of a school district's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. School districts may retain a portion of surplus fund balance,<sup>1</sup> up to 4 percent of the budget, for unexpected occurrences and fluctuations in cash flow.

In fiscal year 2023-24, the District's general fund expenditures were \$14.6 million and it educated approximately 125 students in grades K-6. The District also paid tuition to neighboring districts to educate nearly 160 students in grades 7-12.

## Audit Summary

The Board and District officials did not properly manage the District's fund balance. The Board appropriated surplus fund balance, in part, because it adopted budgets that annually overestimated appropriations by an average of \$1.3 million (9 percent) per year, or a cumulative total of approximately \$6.4 million. The majority of the overestimated appropriations (\$5.6 million) were for special education instruction.

From fiscal years 2019-20 through 2022-23, the District's reported surplus fund balance ranged from 10 to 15 percent of the upcoming year's budget, which was nearly \$962,000 to \$1.8 million over the 4 percent statutory limit. While District officials appropriated a total of \$5.5 million of surplus fund balance over the last five years, the officials only used \$350,000 of this amount after experiencing operating surpluses in four of the last five years. When the unused appropriated fund balance is added back to the District's reported surplus fund balance, the recalculated amount ranged from approximately 12 to 23 percent of the upcoming year's budget, which exceeds the statutory limit by 8 to 19 percentage points. At the end of the 2023-24 fiscal year, the recalculated surplus fund balance was \$1.9 million, which exceeded the statutory limit by nearly \$1.3 million.

<sup>1</sup> For guidance on fund balance classification and reporting, see <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>.

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Further, despite having excess surplus fund balance available to appropriate in the budgets, the Board increased taxes by an average of about \$318,000 (2 percent) each year from 2019-20 to 2023-24. By continually overestimating appropriations and appropriating fund balance that is not needed, the Board is not presenting the District's budget and its surplus fund balance in a transparent manner.

The Board and District officials' consistent budgetary practice of appropriating fund balance that is not needed to finance operations results in real property tax levies that are higher than needed.

The report includes three recommendations that, if implemented, will improve the District's management of fund balance. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. Our methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of the New York State General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

# Financial Management Findings and Recommendations

A school district board (board) and officials must comply with New York State Real Property Tax Law (RPTL) section 1318, which limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget. Officials must apply any surplus fund balance in excess of the 4 percent limit to reduce the upcoming year’s real property tax levy or appropriately fund needed reserves. Until December 10, 2024, the Board did not have a policy governing fund balance or reserves.

More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 5), are included in Appendix A.

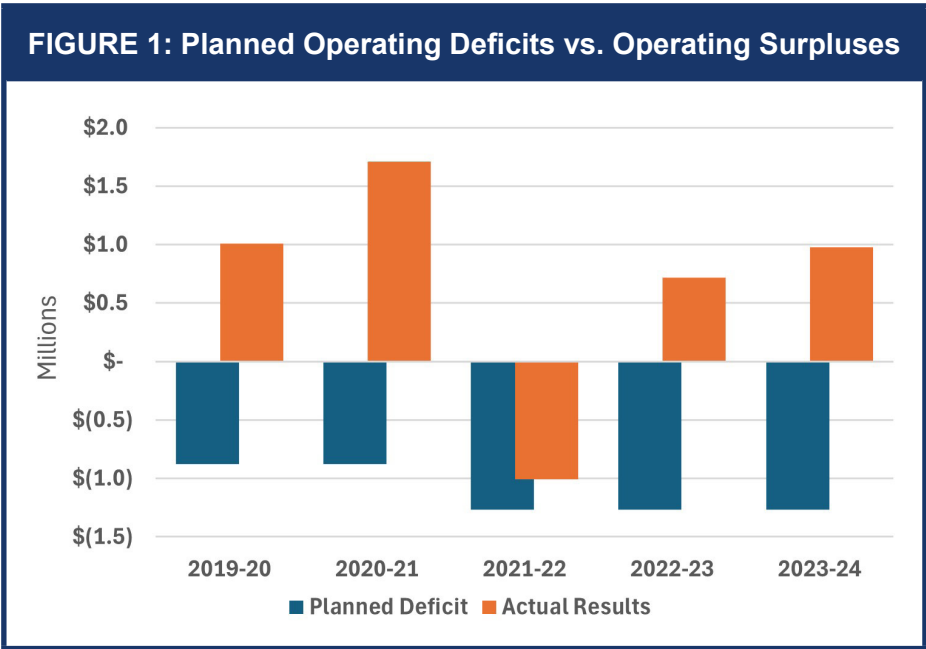
## Finding 1 – The Board and District officials did not properly manage fund balance.

When officials appropriate fund balance, officials are informing taxpayers that the District’s revenues are estimated to be less than the estimated expenditures (appropriations) and that surplus fund balance is needed to balance the budget. Appropriating surplus fund balances reduces the District’s reported surplus fund balance, which is legally restricted to no more than 4 percent of the budget. However, when this appropriation is not needed to pay operating expenditures, the appropriation results in higher than necessary tax levies and the District reporting a lower level of surplus funds.

Over the past five years, District officials appropriated a total of \$5.5 million of surplus fund balance, which should have resulted in planned operating deficits each year. However, officials used only \$350,000 of the appropriated fund balance in 2021-22, experiencing operating surpluses in four of the five years (Figure 1).

These operating surpluses occurred because the Board adopted budgets that annually overestimated appropriations by an average of \$1.3 million (9 percent) per year. The most significantly overestimated expenditures were those for special education instruction, as discussed in Finding 2.

For the fiscal years 2019-20 through 2022-23, the District’s reported surplus fund balance ranged from 10 to 15

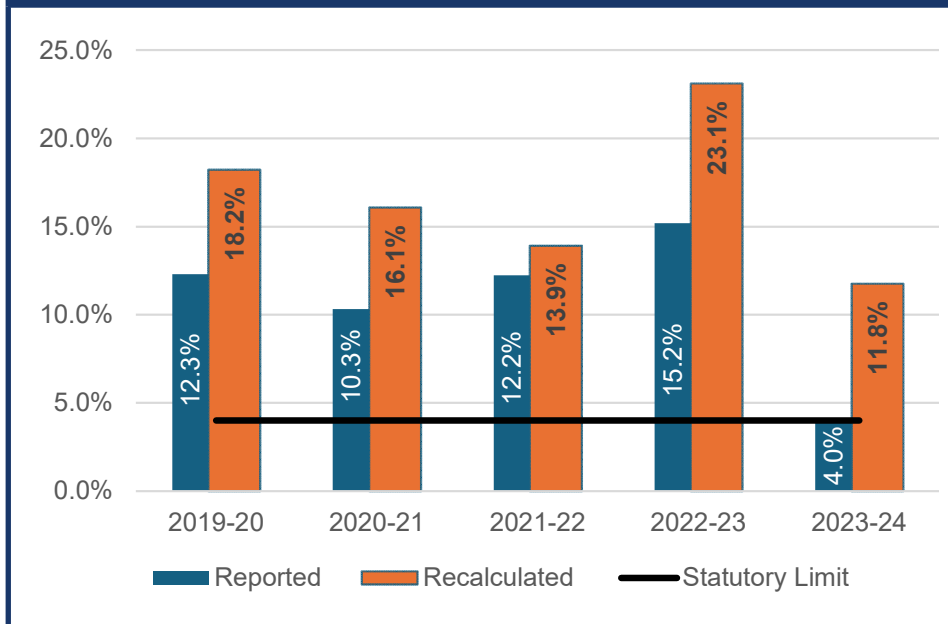


percent of the upcoming year's budget, which was nearly \$962,000 to \$1.8 million over the 4 percent statutory limit (Figure 2). The District's 2023-24 reported surplus fund balance essentially complied with the 4 percent limit, in part through the establishment of reserves<sup>2</sup> and appropriating fund balance.

However, when the unused appropriated fund balance is added back to the District's reported surplus fund balance, the recalculated amount ranged from approximately 12 to 23 percent of the upcoming year's budget. This exceeds the statutory limit by 8 to 19 percentage points. At the end of the 2023-24 fiscal year, the recalculated surplus fund balance was \$1.9 million, which exceeded the statutory limit by nearly \$1.3 million. By continually appropriating fund balance that is not needed and overestimating appropriations, the District is not presenting its surplus fund balance or budget in a transparent manner to taxpayers and residents.

Moreover, the Board increased taxes by an average of about \$318,000 (2 percent) each year from 2019-20 to 2023-24 despite having excess surplus fund balance available to appropriate in the budgets.

**FIGURE 2: Reported vs. Recalculated Surplus Fund Balance as a Percentage of the Upcoming Year's Budget**



## Recommendations

The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for appropriations and the amount of fund balance that will be appropriated and used to fund operations.

<sup>2</sup> On October 8, 2024, the Board established an employee benefit accrued liability reserve and funded it with \$40,000. At the same meeting, they funded a capital reserve approved by voters in May 2023 with \$2.8 million.

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2. Develop and adopt a plan to ensure that surplus fund balance remains within the statutory limit. Surplus funds may be used for:
- Reducing District property taxes,
  - Funding one-time expenditures,
  - Funding reserves, and
  - Paying off debt.

## Finding 2 – District officials consistently overestimated special education appropriations.

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We compared the District’s budgeted revenues and appropriations with actual operating results for the 2019-20 through 2023-24 fiscal years. Estimated revenues were generally reasonable. However, District officials overestimated appropriations by an average of \$1.3 million (9 percent) per year, or a cumulative total of approximately \$6.4 million, as mentioned in Finding 1 (Figure 3).

**Figure 3: Comparison of Appropriations to Actual Expenditures, in Millions**

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>Appropriations</b>	\$14.39	\$14.84	\$15.31	\$15.59	\$16.05	<b>\$76.18</b>
<b>Actual Expenditures</b>	\$12.82	\$12.53	\$15.66	\$14.11	\$14.65	<b>\$69.77</b>
<b>Overestimated Appropriations</b>	\$1.57	\$2.31	(\$0.35)	\$1.48	\$1.40	<b>\$6.41</b>
<b>Percentage Overestimated</b>	12%	18%	(2%)	10%	10%	<b>9%</b>

The majority of the overestimated appropriations (\$5.6 million) were for special education instruction which included:

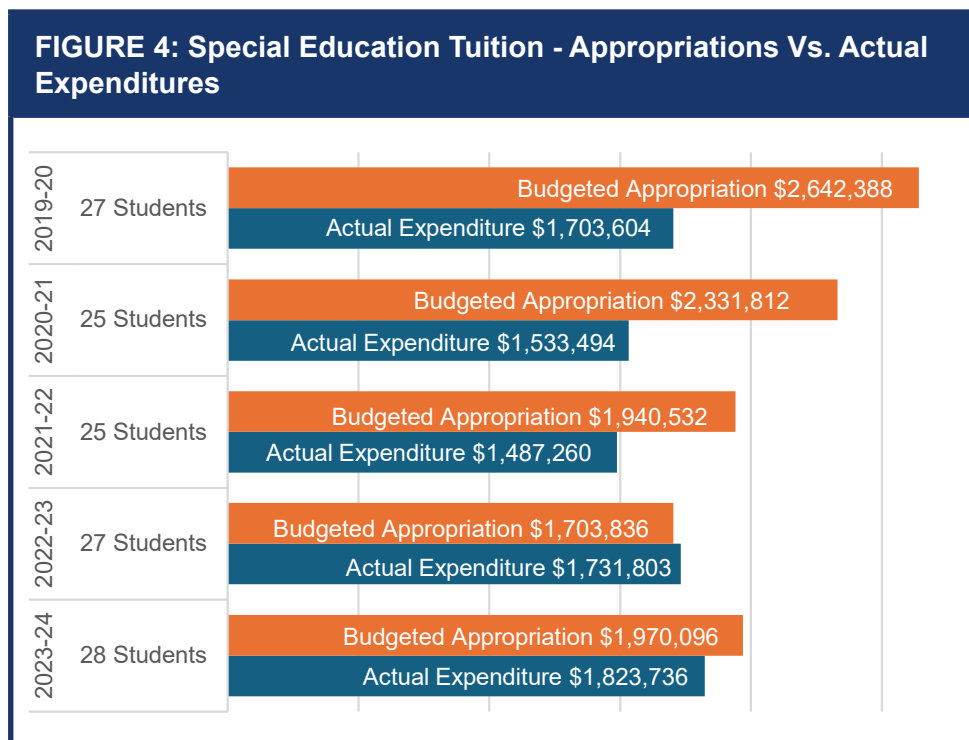
- Board of Cooperative Educational Services (BOCES) services that were overestimated by \$1.2 million,
- Various contractual services that were overestimated by nearly \$1.5 million, and
- Special education tuition to neighboring districts<sup>3</sup> that was overestimated by \$2.9 million.

The Business Manager explained that the BOCES variance was due to certain high-cost students moving out of the District after the budgets had been adopted, and that much of the contractual service variance is related to services that had not been provided during the COVID-19 pandemic. However, the appropriations for these services continued to be overbudgeted in the years following the pandemic.

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<sup>3</sup> Certain special education students attend either Copiague Union Free School District (UFSD), Eastport-South Manor Central School District (CSD), Harmony Heights School, Southampton UFSD or Westhampton Beach UFSD.

Regarding the special education tuition to neighboring districts, the Business Manager said that this appropriation is based on estimated enrollment and estimated tuition rates for each of the districts. They do not consider what these costs were in prior years, because they do not know how much the rates might increase each year. In addition, she said that the District typically includes a buffer for potential students moving into the District. However, the District's enrollment did not fluctuate by more than two students per year over the last five years (Figure 4).



While it is necessary to consider unexpected expenditure fluctuations during budget preparation, the Board and District officials should consider the previous year's operating results, expenditure trends, anticipated future needs and other available information, such as enrollment trends, when developing estimates.

Had District officials used historical trends and included more reasonable budgetary estimates for all expenditure accounts, the District may have been able to reduce property taxes and use the fund balance it appropriated to finance operations.

## Recommendation

The Board and District officials should:

3. Develop budget estimates by considering the previous year's operating results, expenditure trends, anticipated future needs and other available information related to special education instruction, and all other appropriations being estimated.



# Appendix A: Profile, Criteria and Resources

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## Profile

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The District, located in the Town of Southampton in Suffolk County, maintains one elementary school for students from kindergarten through grade six. The District pays tuition to Eastport-South Manor CSD and Westhampton Beach UFSD for the education of its students in grades seven through 12. Certain other districts are paid tuition for the education of special education students.

The elected five-member Board is responsible for the District's management and policymaking. The Superintendent is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

## Criteria – Financial Management

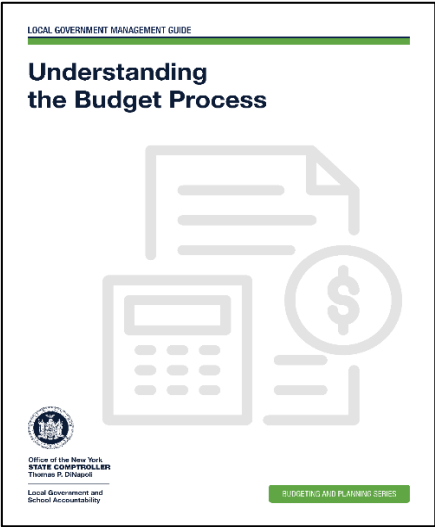
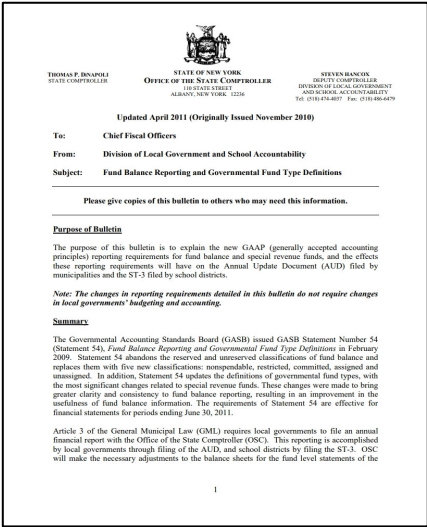
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A key measure of a school district's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. A board and officials must comply with RPTL section 1318, which limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget. Officials must apply any surplus fund balance in excess of the 4 percent limit to reduce the upcoming year's real property tax levy or appropriately fund needed reserves.

To properly manage fund balance, the board and school district officials should develop and adopt reasonably estimated and structurally balanced budgets based on historical data or known trends in which recurring revenues finance recurring expenditures. In preparing the budget, the board must estimate the amounts the school district will receive and spend, the amount of fund balance that will be available at fiscal year-end to use toward the upcoming year's budget, and the expected real property tax levy.

Accurate and reasonable budget estimates help ensure that the tax levy is not greater than necessary, the budget is presented transparently to the public, and surplus fund balance does not exceed the legal limit. During the fiscal year, as school district officials have a better understanding of the results of financial operations, they should consider using anticipated surplus fund balance to finance one-time expenditures, fund needed reserves or pay off debt.

# Additional Financial Management Resources

FIGURE 5: OSC Publications	
OSC Local Government Management Guides and other information available on our website to help officials understand and perform their responsibilities	
Understanding the Budget Process	Fund Balance Reporting and Governmental Fund Type Definitions <sup>a</sup>
 <p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf</a></p>	 <p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/qasb54.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/qasb54.pdf</a></p> <p>a) This is guidance not a publication.</p>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

# Appendix B: Response From District Officials

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## Remsenburg - Speonk U.F.S.D.

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DLS:1052

July 10, 2025

Office of the State Comptroller  
Mr. Ira McCracken, Chief of Municipal Audits  
NYS Office Building, Room 3A 10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

Please accept this letter as the official response from the Remsenburg-Speonk UFSD to the Draft Audit Report of the district's fund balance management from the period July 1, 2019 through June 30, 2024. The Board of Education acknowledges the efforts of the New York State Comptroller and appreciates the feedback, as it pertains to the financial condition of our school district. We are grateful for the professionalism displayed by the field auditors who worked with our team from August, 2024 until March 13, 2025. This letter will address the three recommendations offered in the report.

We agree with the first recommendation, to develop and adopt budgets that include reasonable estimates for appropriations and fund balance to be appropriated and used each school year. In the coming years, we will continue to enhance our budget development process by incorporating the most accurate historical data, we will analyze budget trends over multiple years, and regularly consult with receiving providers, in-district leadership, and engage in enrollment projection studies and annual census data collection, to ensure estimates align closely with actual district needs. Additionally, we will work with our financial advisors and audit committee in order to review fund balance projections. This measure will ensure that they are appropriately allocated to support sustainable budgeting practices.

The current Board of Education is committed to developing and adopting a plan that will allow for surplus fund balance to remain within the statutory limit, as suggested in recommendation two. During the May, 2025 budget vote, the Board presented a proposition, in which the community agreed to allowing for further appropriation of fund balance in a needed Capital Reserve. Planning for this reserve will help the Board of Education fund projects that have been identified by District architects in our Buildings Conditions survey, five-year plan, from November, 2024, as well as other capital work, with no further impact on taxes.

Over the last five-years, the Board of Education has completed a multitude of Capital Projects utilizing Capital Reserve Funds from unassigned fund balance. These projects have not only updated district technology and infrastructure, maintained facilities, and enhanced the buildings and grounds, but also provided for additional learning spaces. Prior to these projects, small group instruction for students receiving remedial services or English language instruction was taking place in small office space within the building. Construction and restructuring has allowed for new learning spaces where students can engage in more appropriate conditions.

In response to recommendation three, the district acknowledges the importance of using all relevant and available information when developing its annual budget. Moving forward, we will consider prior year operating results, expenditure trends, anticipated future needs, and any other pertinent data, in particular, special education instruction, to develop estimates that are as accurate and reasonable as possible. This approach will support more informed decision-making and responsible financial planning.

Since 2019, New York legislators have pursued the concept of enabling law that would allow school districts to establish reserve funds explicitly for special education expenses. Though these proposals have increasingly been recurring and refined, none of the efforts by certain lawmakers have passed into law. Such a reserve fund would allow for districts to account for unpredictable expenses, particularly out-of-district placements, unforeseen needs of special needs children, mid-term new special education entrants and specialized therapies, as these items place real budgetary strains on districts. Such a reserve fund could offer financial resilience, reducing year-to-year volatility and allow districts to have less fluctuation from year-to-year, while eliminating the need to overestimate for special education instruction.

New York State Real Property Tax Law (RPTL) section 1318, limits the amount of surplus that a school district can retain to no more than four percent of the district's annual budget. In a district as small as ours, high-needs students have a significant impact and could be as much, or more than, 1% of our school budget. In our small district, we have experienced unexpected costs due to the requirements and needs due to homelessness, district students enrolling in charter schools, students in foster care, housing developments that utilize PILOT incentives to develop and needs that go beyond what we can accommodate in our school resulting in outside placements. Just to provide context, one out-of-district placement, in a BOCES setting, brought an annual cost of \$264,574 (approximately 1.65% of our entire district budget) *for one student*, when you take into account the full spectrum of services required by the students Individualized Education Plan: school-year placement, summer services, one-to-one assistance and specialized transportation. Another student in a BOCES placement who required a one-to-one teaching assistant, a one-to-one nurse, a special class in a BOCES setting, other related services and summer programming, had annual expenses of \$182,023 (approximately 1.14% of our entire district budget). These are real numbers, from real students. Our Board of Education wants to be clear: We are fully committed to providing a high-quality, appropriate education to *all* students. To do so effectively, we must also ensure that we are financially prepared to meet their diverse needs. The cost of educating high-needs students is comparable across districts, but for a small district like ours, these expenses represent a significantly larger portion of our overall budget. This reality often necessitates more conservative, sometimes overestimated, budgeting for special education instruction to ensure we can meet our obligations and student needs, without disruption.

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In conclusion, we respectfully acknowledge the findings of the Office of the State Comptroller and the important work they do on behalf of New York State taxpayers. While we understand that their lens may differ from ours, we appreciate the thoughtful recommendations, as we believe there is always room for reflection and growth. We remain firmly committed to maintaining the long-term financial stability of our district for the benefit of both our residents and our students, in a transparent manner. Despite limited state aid and no federal relief during the COVID-19 pandemic, we have successfully navigated and responsibly managed and built our funds allowing for the preservation of essential student services and opportunities. Within the next 90-days, the district will develop a more formalized response in the form of a Corrective Action Plan (CAP). As part of our continued commitment to transparency, future budgets will clearly outline the estimated use of reserves. We thank the Comptroller's Office for the opportunity to respond to this report and for their continued partnership in supporting sound fiscal practices.

Sincerely,



Denise Lindsay-Sullivan  
Superintendent of Schools

# Appendix C: Audit Methodology and Standards

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We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Board members and District officials to gain an understanding of the District's financial condition and budgeting process.
- We reviewed audited financial statements for the fiscal years 2019-20 through 2023-24 to gain an understanding of the District's overall financial condition.
- We analyzed the District's fund balance for the period July 1, 2019 through June 30, 2024 to identify trends and calculate surplus fund balance as a percentage of the upcoming year's budgeted appropriations to determine whether it was within the 4 percent statutory limit.
- We compared estimated revenues to actual revenues and budgeted appropriations to actual expenditures for the fiscal years 2019-20 through 2023-24.
- We analyzed student total District-wide enrollment and tuition enrollment to identify trends for the fiscal years 2019-20 through 2023-24.
- We analyzed and compared tuition costs to appropriations to actual expenditures.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

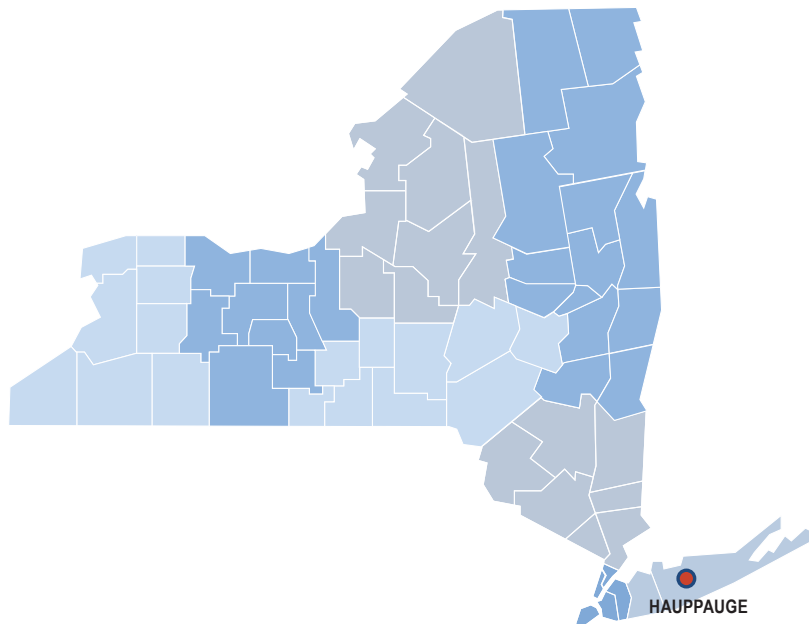
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