New York State Comptroller
THOMAS P. DiNAPOLI

Hewlett-Woodmere Union Free School District

Financial Management

November 2026 | 2026M-45

Prepared by the Division of Local Government and School Accountability

Table of Contents

Audit Results 2
Financial Management: Findings and Recommendations 4
Finding 1 – The Board and District officials did not develop and adopt realistic budgets. 4
Recommendation 6
Finding 2 – The Board and District officials did not properly manage fund balance. 6
Recommendations 7
Finding 3 – The Board and District officials did not properly manage reserves. 7
Recommendations 10
Appendix A: Profile, Criteria and Resources 11
Profile 11
Criteria 11
Additional Resources 12
Appendix B: Response From District Officials 13
Appendix C: OSC Comments on the District's Response 15
Appendix D: Audit Methodology and Standards 16

Audit Results

Hewlett-Woodmere Union Free School District

Audit Objective

Did Hewlett-Woodmere Union Free School District (District) Board of Education (Board) and District officials properly manage fund balance and reserves?

Audit Period

July 1, 2023 – December 31, 2024.

We extended the audit period back to July 1, 2019 to analyze financial trends.

Understanding the Audit Area

Fund balance[1] and reserves are important indicators of a school district's financial health and help provide financial stability, address unexpected costs and support educational programs. A school district board is responsible for adopting realistic, structurally balanced budgets that are based on reasonable estimates and maintaining fund balance and reserves at appropriate levels and in accordance with statutory requirements. Sound financial planning promotes accountability, transparency and public trust, helps school district officials make informed decisions and supports the school district's long-term financial stability.

As of June 30, 2024, the District's total general fund balance was $78.2 million. The reserve fund balances averaged $70.4 million during the audit period and totaled $74 million as of the end of the 2023-24 fiscal year.

Audit Summary

The Board and District officials did not properly manage fund balance and reserves. Because District officials overestimated appropriations, appropriated fund balance that was not needed, made unbudgeted transfers to reserves and maintained excessive reserve balances, they developed and presented budgets to taxpayers that did not accurately reflect the District's financial needs. The cumulative difference between budgeted appropriations and actual operating results during the audit period totaled approximately $69.2 million. Consequently, the Board's budgeting practices reduced transparency and accountability and may have resulted in taxpayers paying more taxes than were necessary to fund District operations. Specifically, the Board and District officials:

- Overestimated appropriations by $33 million (9 percent) during four of the five fiscal years that we reviewed.
- Appropriated fund balance totaling $6.2 million that was not needed during the 2019-20 through 2021-22 fiscal years. The District did not use the appropriated fund balance, in part, because it adopted budgets that underestimated revenues and overestimated appropriations.
- Made unbudgeted transfers to reserves totaling $43 million. To help promote transparency, the Board should include in the annual budget the amount of funds that it anticipates placing in reserves.
- Maintained reserve balances totaling $74 million, which was about three times more than the actual annual expenditure amounts paid from the reserves.

This report includes five recommendations that, if implemented, will help the Board and District officials improve budgeting practices and financial transparency and accountability and better align fund balance and reserve levels with the District's operational needs. District officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action. Appendix C includes our comments on issues raised in the District's response letter.

1 Fund balance represents the difference between revenues and appropriations accumulated over time.

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

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 OSC within 90 days, pursuant to Section 35 of GML, 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 the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The CAP should be posted on the District's website for public review.

Financial Management: Findings and Recommendations

A key measure of a school district's financial condition is its level of fund balance, which represents the difference between revenues and appropriations accumulated over time. The school district board of education (board) and school district officials must manage fund balance to ensure long-term educational stability, provide a cash flow cushion for unexpected costs (like emergencies and revenue gaps), maintain tax rate stability, 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, avoid excessive reserves that burden taxpayers and ensure that funds are used for genuine needs rather than sitting idle. Officials must apply any surplus fund balance that exceeds the 4 percent limit to reduce the upcoming year's real property tax levy or to 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 are financed by recurring expenditures. Accurate and reasonable budget estimates, which include amounts anticipated to be placed in reserve funds, help ensure that the tax levy is not greater than necessary, the budget is presented transparently to the public, and that surplus fund balance does not exceed the legal limit. The board and officials should develop a comprehensive, written, reserve fund policy and multiyear financial and capital plans to establish funding levels and estimate future costs of ongoing services.

Districts may establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives. A multiyear financial plan helps guide officials to develop future budgets and provides more transparency regarding the District's long-term financial goals.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – The Board and District officials did not develop and adopt realistic budgets.

We compared estimated revenues and appropriations with actual operating results for the 2019-20 through 2023-24 fiscal years and determined that estimated revenues were generally reasonable. However, the Board and District officials underestimated appropriations by approximately $9.9 million (8 percent) in the 2022-23 budget. They also overestimated appropriations by a combined total of approximately $69.2 million (13 percent), which was an average of approximately $17.3 million each year, for the remainder of the fiscal years that we reviewed (Figure 1).

Figure 1 – Overestimation of General Fund Appropriations by Year, in Millions

	2019-20	2020-21	2021-22	2023-24	Totals
Appropriations	$123.3	$126.9	$129.4	$135	$514.6
Less: Actual Appropriations	$112.4	$117.4	$121.4	$130.4	$481.6
Overestimated Appropriations	$10.9	$9.5	$8	$4.6	$33
Add: Unbudgeted Year-End Transfers of Operating Surplus[2]	$10.4	$8.2	$8.1	$9.5	$36.2
Recalculated Overestimated Appropriations	$21.3	$17.7	$16.1	$14.1	$69.2
Percentage Overestimated	17%	14%	12%	10%	13%
Average Overestimated Appropriations					$17.3
Average Percentage of Overestimated Appropriations					13%

The overestimated appropriations occurred primarily in the personnel and benefits estimates. For example, we determined that the Board:

- Budgeted $6.7 million for health insurance in the 2020-21 budget but spent $4.8 million for these costs, which resulted in overestimated appropriations of $1.9 million (28 percent).

- Budgeted $5.1 million for teachers' retirement system (TRS) appropriations in the 2019-20 budget but spent $4 million for these costs, which resulted in overestimated appropriations of approximately $1 million (21 percent).

District officials told us that the school closure from March through June 2020 due to the pandemic reduced the number of additional assignments (such as club and field trip assignments) for certified staff, which caused lower gross salaries and decreases in TRS contributions. Officials also told us that the Board overestimated health insurance appropriations in the 2020-21 budget because it was the year following the pandemic, and the Board expected that the District would have an increase in health insurance costs. However, our previous audit[3] for the period July 1, 2012 through May 31, 2016 also showed that the Board overestimated appropriations by $31.1 million during the 2012-13 through 2014-15 fiscal years.

Because the Board overestimated appropriations, the general fund realized operating surpluses totaling $33 million during four of the five fiscal years that we reviewed, which resulted in the District accumulating fund balance. By continually overestimating appropriations, the Board and District officials are not presenting the District's budget in a transparent manner to taxpayers. Also, the Board places a higher tax burden on District taxpayers than necessary to provide educational services for District students.

2 Because the District made unbudgeted transfers at the end of the fiscal year to reduce operating surplus, this gives the appearance that total operating expenditures were more in line with budgeted expenditures than they actually were. We excluded these unbudgeted transfers to accurately reflect budgeted-versus-actual operating expenditures.

3 Hewlett-Woodmere Union Free School District – Financial Condition (2016M-402) was released in January 2017.

Recommendation

1. District officials and the Board should develop and adopt budgets that are based on reasonable estimates of revenues and appropriations and that reflect current data and historical trends.

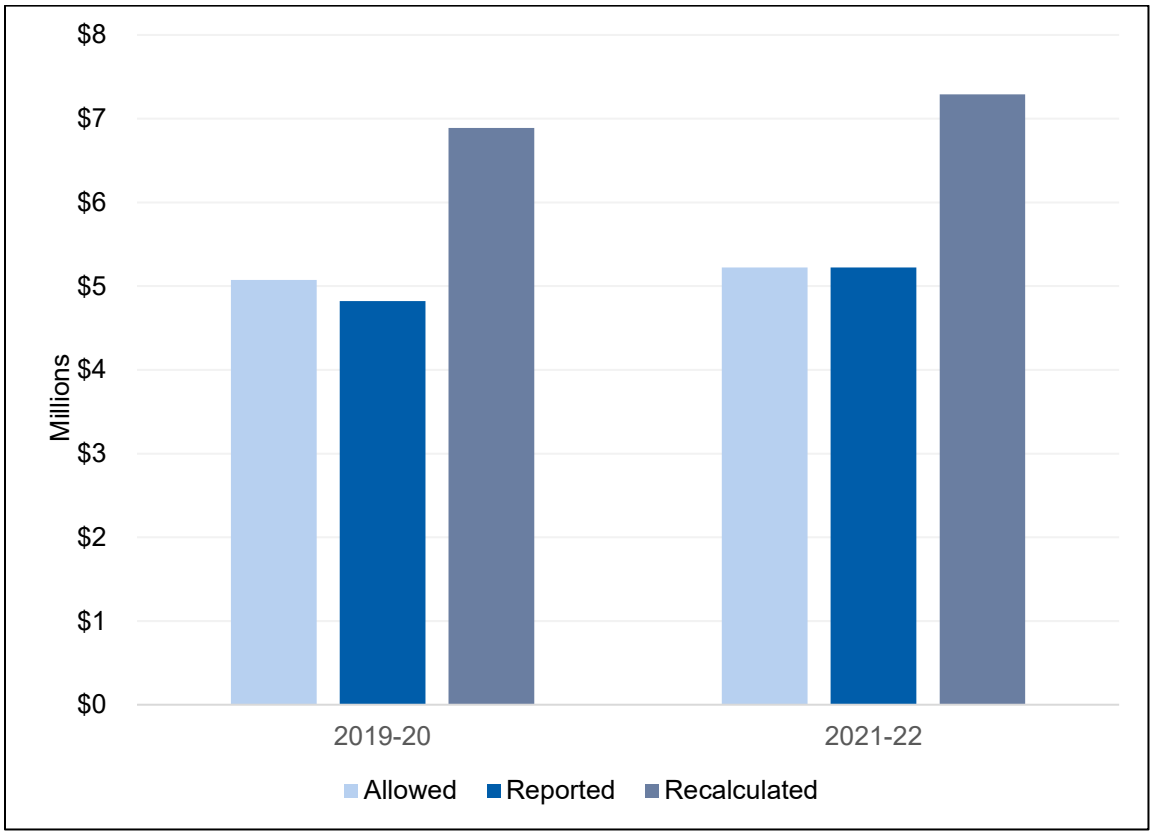
Finding 2 – The Board and District officials did not properly manage fund balance.

The Board appropriated fund balance totaling $6.2 million in three of the five fiscal years that we reviewed: approximately $2.1 million in 2019-20, $2.1 million in 2020-21 and $2.1 million in 2021-22. We determined that the Board did not use the appropriated fund balance because the District had operating surpluses totaling approximately $24 million, or an average of approximately $8.2 million, during the three fiscal years.

Including appropriated fund balance in annual budgets that historically goes unneeded or unused does not provide a transparent budget process for taxpayers. It also causes a reservation of fund balance that is not provided for by statute and could circumvent the statutory limit imposed on the allowed level of surplus fund balance.

When we added back the unused appropriated fund balance and recalculated the District's fund balance, we determined that surplus fund balance exceeded the statutory limit by $1.8 million in 2019-20 and $2 million in 2021-22. This resulted in recalculated surplus fund balances of approximately $6.9 million in 2019-20 (5.4 percent) and $7.3 million in 2021-22 (6 percent) (Figure 2).

Figure 2 – Surplus Fund Balance



Also, the Board and District officials modified the District's budget in the 2019-20 through 2021-22 fiscal years to appropriate additional fund balance of $475,121 in 2019-20, $415,092 in 2020-21, and $608,539 in 2021-22, even though the District experienced operating surpluses during these fiscal years.

District officials told us that they appropriated the additional fund balance to transfer funds to reserves. Although the transfers were approved and reduced the operating surpluses, they were not made as

transparently as they could have been, because the Board and District officials made the transfers at the end of the year and did not include them in the adopted budgets.

District officials told us that they appropriated fund balance each year as part of their budgeting process to provide a contingency for unanticipated expenditures or revenue shortfalls. However, appropriated fund balance is the portion of fund balance that is designated to help finance operations. While school districts are not permitted to budget appropriations for contingencies, they can retain surplus fund balance in an amount up to 4 percent of the ensuing year's budget as a cushion for unforeseen expenditures or revenue shortfalls. Combining a reasonable level of surplus fund balance with reserve funds provides resources for both unanticipated events and other identified or planned needs. Therefore, the Board and District officials should not appropriate fund balance for contingencies, or when it is not needed, which occurred in three of the five fiscal years that we reviewed.

In addition, District officials said that during the 2019-20, 2020-21 and 2021-22 fiscal years actual appropriations were lower than projected, and revenues met or exceeded expectations. As a result, the District did not need to use the appropriated fund balance to support operations. However, we determined that actual appropriations were lower than projected because the Board approved budgets with overestimated appropriations totaling $20.4 million in 2019-20 and 2020-21, which resulted in operating surpluses. Similar budgeting practices were also identified in the previous OSC audit report[4] where the Board appropriated fund balance totaling $9.6 million that the District did not use during the 2012-13 through 2014-15 fiscal years, which resulted in overestimated appropriations totaling $31.1 million.

By appropriating fund balance that was not needed and overestimating budgeted appropriations, the Board and District officials did not present the District's surplus fund balance or budget in the most transparent manner, maintained real property taxes at a level that may have been higher than necessary and missed opportunities to lower real property taxes, which increased by approximately $8 million (8 percent) during the audit period.

Recommendations

The Board and District officials should:

2. Develop and adopt budgets that realistically estimate appropriations and the amount of fund balance that will be appropriated and used to fund operations.
3. Discontinue appropriating fund balance that will not be used to fund operations.

Finding 3 – The Board and District officials did not properly manage reserves.

As of June 30, 2024, the District maintained nine reserves with a cumulative balance of approximately $74 million (Figure 3).

4 Ibid.

Figure 3 – Reserves

Reserve Name	June 30, 2024 Reserve Balance
Retirement Contribution Reserve	$23,951,239
Capital Reserve	$13,579,968
Repair Reserve (Athletic and Non-Athletic)	$10,870,449
Insurance Reserve	$5,750,907
Teachers' Retirement System Reserve (TRS)	$5,083,157
Property Loss Reserve	$4,442,765
Workers' Compensation Reserve	$4,349,209
Unemployment Reserve	$4,187,751
Employee Benefit Accrued Liability Reserve[5]	$1,445,630
Total	**$73,661,075**

We reviewed the funding sources of the nine reserves to determine whether District officials funded them through budget appropriations or through the year-end surpluses. We determined that during the five years we reviewed, District officials made unbudgeted transfers totaling approximately $43 million from operating surpluses to fund six of the reserves. Specifically, we determined that officials made unbudgeted year-end transfers to add:

- $25.3 million to the capital reserve
- $5.9 million to the insurance reserve
- $4.2 million to the repair reserve
- $3.8 million to the TRS reserve
- $2.9 million to the property loss reserve
- $1.2 million to the unemployment reserve.

While funding reserves can be a prudent method to accumulate money for certain future needs, the Board should include a provision in the budget for routinely funding reserves, which is more transparent to taxpayers than making transfers at the end of the fiscal year.

We also reviewed reserves and determined that they were properly established. However, eight of the nine District's reserves that we reviewed did not appear to be reasonably funded, and two of the reserves had not been used to pay related expenditures. When using a reserve in the general fund, District officials reclassify the restricted reserve funds as unassigned fund balance to offset the corresponding expenditures. We compared the balance of these reserves to the five-year average historical appropriations and determined the following:

Retirement Contribution Reserve – The Board established the retirement contribution reserve to fund contributions to the New York State and Local Retirement System (ERS[6]). The reserve had a balance of nearly $24 million as of June 30, 2024. This amount was sufficient to cover approximately 14 years of retirement contribution expenditures, which averaged approximately $1.7 million during the audit period. The Board and District officials did not appropriate any funds from this reserve during the 2019-20, 2021-22, 2022-23 and 2023-24 fiscal years. During the audit period, the District paid $8.6 million in ERS payments. While District

5 Because the Board discontinued the employee benefit accrued liability reserve in June 2024, we did not evaluate whether the reserve's balance was reasonable.

6 The Employees Retirement System (ERS) is one of two retirement systems that function under the New York State and Local Retirement System. ERS provides benefits to employees of participating public employers in nonteaching positions outside of New York City.

officials used the reserve to pay approximately $514,497 (6 percent) of ERS payments, they paid the remaining approximate $8.1 million (94 percent) of ERS payments using general fund appropriations.

Capital Reserve – The Board established two capital reserves to fund future improvements to District facilities and upgrades to equipment. As of June 30, 2024, the two reserves had a combined balance of $14 million. District officials told us that the Board established the second reserve in June 2024 because the term and funding of the first reserve was due at the end of the 2024 fiscal year. However, as of December 31, 2024, the Board did not develop and adopt a written multiyear capital plan outlining how the capital reserve funds would be used.

Repair Reserves – The District maintained two repair reserves to fund repairs for nonathletic and athletic capital repairs. The reserves had a balance of approximately $10.9 million as of June 30, 2024. Based on the Board-authorized transfers and subsequent capital fund expenditures[7] totaling $2.1 million, the reserves were sufficient to cover more than 26 years of repair expenditures, which averaged $415,428 during the audit period. The Board established the nonathletic repair reserve to pay for nonrecurring repairs for capital improvements for other (nonathletic) facilities. The reserve had a balance of approximately $5.5 million as of June 30, 2024. The Board established the athletic repair reserve to pay for certain repairs to capital improvements or equipment that did not recur annually or for repairs that occurred at shorter intervals. The reserve had a balance of approximately $5.3 million as of June 30, 2024.

In October 2023, District officials transferred $1.8 million from the repair reserve to unassigned general fund balance. However, this transfer may not have been in accordance with GML because it was not used for repair-related expenditures, but instead remained in unassigned general fund balance. The District's Assistant Business Manager (Assistant Manager) told us that the transfer was made in error and that the funds would be transferred back to the repair reserve.

Insurance Reserve – The Board established the insurance reserve to pay for liability, casualty and other types of uninsured losses. The reserve had a balance of approximately $5.7 million as of June 30, 2024. This amount was sufficient to cover more than 17 years of insurance reserve expenditures, which averaged $333,034 during the audit period. While the District used the reserve for $318,612 in insurance payments during the audit period, the remaining $14,423 payments (4 percent) were paid using general fund appropriations.

Teachers' Retirement System (TRS) Reserve – The Board established this reserve to fund retirement contributions to the TRS. According to GML Section 6-R, annual contributions to the TRS reserve may not exceed 2 percent of the total compensation of all teachers employed by the District who are TRS members. Furthermore, the reserve balance may not exceed 10 percent of the total compensation of all teachers employed by the District who are TRS members. As of June 30, 2024, the reserve had a $5.1 million balance. The District's average annual retirement expenditures during the audit period was $4.8 million. While the TRS reserve balance was within the legal limit for the reserve, District officials did not use the reserve to pay for related expenditures between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made these payments using general fund appropriations.

Property Loss Reserve – The Board established this reserve to pay for property loss and liability claims. The reserve had a balance of approximately $4.4 million as of June 30, 2024. However, District officials did not use the reserve to pay for related expenditures during the audit period. Instead, they paid for property loss expenditures totaling $69,796 using general fund appropriations. If District officials had financed these expenditures from the reserve, they would have depleted less than 2 percent of the reserve's balance.

Workers' Compensation Reserve – The Board established this reserve to fund workers' compensation expenses, related medical expenses and self-insurance administrative costs. As of June 30, 2024, the $4.3 million in this reserve was sufficient to cover nearly eight years of workers' compensation expenditures, which averaged approximately $553,959 each year during the audit period. District officials did not appropriate any funds from the reserve during 2021-22. While officials made workers' compensation payments totaling approximately $2.8 million during the audit period, they used funds from the reserve to make only half of these payments ($1.4 million) and paid the remainder of the payments using general fund appropriations.

---

7 District officials used the repair reserve to transfer funds to the capital reserve, and officials made expenditures from the capital reserve.

Unemployment Reserve – The Board established this reserve to pay for claims from the New York State Unemployment Insurance Fund. As of June 30, 2024, the $4.2 million in this reserve was sufficient to cover 92 years of the District's annual unemployment expenditures, which averaged $45,506 each year during the audit period. District officials did not appropriate any funds from the reserve during 2021-22 through 2023-24. During the audit period, the District made unemployment payments totaling $227,532. While officials paid unemployment claims totaling $123,185 (54 percent) using funds from the reserve, they made the remaining payments totaling $104,347 (46 percent) using general fund appropriations.

The District excessively funded reserves and did not use the reserves to make related expenditures, in part, because the Board did not adopt a reserve policy to provide guidance to officials for maintaining the District's reserves. While the Assistant Superintendent presented a five-year reserve management plan to the Board each year, which included reserve descriptions and purposes, the presentation did not include how much would be accumulated in each reserve or how and when the reserve funds would be used to finance related expenditures. The Assistant Superintendent told us that the District is not required to establish a reserve policy that fixes a specific amount for each reserve. While the District may not be required to establish a reserve policy that fixes a specific amount for each reserve in advance, if the Board had established a written reserve fund policy and periodically reviewed reserve fund balances, it could have determined whether the amounts in the reserves were reasonable.

The Assistant Manager told us that reserve funds were used when general fund appropriations were exhausted. However, we determined that officials did not consistently follow this process for using reserve funds. For example, during the 2022-23 fiscal year, the District budgeted $500,000 of general fund appropriations for workers' compensation expenditures. But the District did not use any of these appropriations and instead financed all workers' compensation expenditures totaling $495,806 for that fiscal year through transfers from the workers' compensation reserve to the general fund.

Furthermore, the District should budget for using reserve funds for intended reserve purposes instead of consistently budgeting for and making payments from general fund appropriations. District officials also told us that the Board routinely funded the reserves through year-end budget surpluses, instead of appropriating funds in the annual budget to fund the reserves. However, funding reserves through year-end budget surpluses is not transparent to taxpayers.

Funding reserves at levels that are higher than necessary for operations and/or needs creates an undue burden on taxpayers and withholds funds that may be used in a more beneficial way for current District residents and taxpayers.

Recommendations

The Board and District officials should:

4. Develop a comprehensive reserve policy to address when reserves should be used and/or replenished, and ensure that officials report reserve activity and balances to the Board on an annual basis, as required by the reserve policy.
5. Transparently fund reserves by including a provision in the annual budget to routinely fund reserves and periodically review reserve balances to ensure that they are reasonable and necessary.

Appendix A: Profile, Criteria and Resources

Profile

The District is located in the Town of Hempstead in Nassau County and serves the educational needs of approximately 3,000 students who reside in the Hamlet of Hewlett, a large part of the Hamlet of Woodmere, and all or part of the incorporated Villages of Hewlett Bay Park, Hewlett Neck, Hewlett Harbor, Lynbrook, Woodsburgh and Valley Stream. The District has five schools that include the Early Childhood Center, two elementary schools, a middle school and a high school.

The elected seven-member Board is responsible for managing and controlling the District's financial condition and educational affairs. The District Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent is responsible for developing the budget and managing the District's financial and business operations. After our fieldwork ended, the Assistant Superintendent left District employment and was replaced by an interim Business Administrator.

Criteria

To properly manage fund balance, a 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 appropriations. When preparing the budget, the board must estimate amounts that the school district will spend and receive, the amount of fund balance that will be available at the end of the fiscal year 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 to the public in a transparent manner and that surplus fund balance does not exceed the legal limit. During the fiscal year, as school district officials have a better understanding of the district's results of financial operations, they should consider using anticipated surplus fund balance to finance one-time expenditures, fund needed reserves or to pay off debt.

Fund balance is the difference between revenues and expenditures accumulated over time. School districts may retain a portion of surplus fund balance for unexpected occurrences and fluctuations in cash flow. However, a board and school district 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 that exceeds the 4 percent limit to reduce the upcoming year's real property tax levy or appropriately fund needed reserves.

The District's fund balance policy states that "the District will strive to maintain an unassigned general fund balance (unreserved, unappropriated fund balance) of not less than 3 percent and not more than either 4 percent or the maximum permitted by law, of the budgeted appropriations for the subsequent fiscal year. The total fund balance, consisting of several portions including committed, assigned and unassigned may exceed 4 percent of the budgeted appropriations for the subsequent fiscal year. If the unassigned portion of the fund balance falls below the threshold of 3 percent, the Board will pursue variations of increasing revenues and decreasing appropriations, or a combination of both until 3 percent is attained. If, after establishing all appropriate elements of the assigned (reserved fund balance) and unassigned portions of the fund balance, the unassigned general fund balance exceeds 4 percent of budgeted appropriations, the Board shall apply the excess portion of unassigned fund balance as appropriated fund balance and designate it to be applied to next year's budget for the purpose of reduction of the tax levy. Amounts allocated among the reserved portion of fund balance may be utilized by appropriating excess funds for non-recurring expenditures in accordance with law and state regulations. The Superintendent and Assistant Superintendent shall be responsible for the enforcement of this policy."

Districts are allowed to establish reserves and accumulate funds for certain future purchases (e.g., unemployment or retirement expenditures). To properly manage reserve funds, a board should adopt a comprehensive, written reserve fund policy that states the board's rationale for establishing reserve funds,

objectives and maximum targeted funding levels for each reserve, and the conditions under which the reserves will be used and/or replenished. The policy also should require the board to periodically review all reserve balances to assess their reasonableness. While districts are generally not limited in the amount of funds that can be held in reserves, the board should maintain reasonable reserve balances. The board should balance the intent for accumulating funds for identified future needs with the obligation to help ensure that real property taxes are not higher than necessary. In addition, the board should include a provision in the annual budget for routinely funding reserve funds. By making provisions to raise resources for reserve funds explicit in the proposed budget, the board gives voters, residents and taxpayers an opportunity to know its plan for funding reserves.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Fiscal Oversight Responsibility of Governing Board:* https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf
- *Reserve Funds:* https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf
- *Understanding the Budget Process:* https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: https://www.osc.ny.gov/local-government.

Appendix B: Response From District Officials

The content below is a reproduced copy of the original response letter issued by District officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*[8] and may have included changes to spelling and grammar. The substance of the content was not changed.

September 10, 2026

New York State Comptroller Thomas P. DiNapoli
Local Government & School Accountability
33 Airport Center Drive, New Windsor, NY 12553
Attn: **[redacted]**

Dear **[redacted]**:

The Hewlett-Woodmere School District would like to thank the New York State Comptroller's Office for their review of our financial position. We believe that fund balance and reserve accounts are the most important indicator of a district's financial health. These accounts have helped the Hewlett-Woodmere School District maintain an outstanding credit rating, as well as vital educational programs and student support services during times of state aid instability, tax levy restrictions, and additional pressure from increasing mandated expenditures.

Hewlett-Woodmere is proud to have some of the best educational programs and academic results in New York State. With indicators of weakening financial conditions ahead and fixed-cost growth outpacing aid, the continued success of our school district is an expectation of our community. We agree that there are opportunities to further strengthen our policies and procedures, and we would like to reaffirm that the District has already implemented several of these practices prior to receiving your draft report. While we understand your assessment of the District's financial position, we respectfully disagree with certain conclusions and recommendations. Based on the evidence and supporting documentation we provided, we believe the facts support a different interpretation than the one presented in the report.

The New York State Comptroller is well aware of the District's audited financial results. You are also aware of the legal citations and other authoritative guidance we cited at our exit conference. This evidence directly contradicts your assessment of the District's financial position. At our exit conference, you acknowledged the accuracy of the evidence we presented and agreed that the District did **not** violate any laws, regulations, or authoritative guidance [OSC Comment: See Appendix C, Note 1]. In light of that acknowledgement, and given the substantial evidence that conflicts with your conclusion, the District takes strong exception to your statement that during the audit period of 2019-20 through 2023-24, "*the Board places a higher tax burden on District taxpayers than necessary*." Respectfully, this statement is **unsupported by facts** and inconsistent with both the evidence presented and the conclusions reached during our discussions.

A basic review of the tax levy limit data we submitted to your office over the **past 10 years** reveals that during **every** year during this time period (which is inclusive of your five-year review), the District presented tax levies to the community that were **significantly lower** than what was permissible under the tax levy limit. In total, the District permanently **lowered** our tax levies by $12.7 million dollars during this time period. This evidence directly refutes your opinion about higher tax burdens [OSC Comment: See Appendix C, Note 2]. We are disappointed and confused as to why this inaccurate and highly inflammatory comment was not removed from your draft report.

The chart below, which is audited financial data, clearly demonstrates how the Hewlett-Woodmere School District placed $12.7 million **less** of a tax burden on our community than what was otherwise permissible under the tax cap formula:

8 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

	2015-16	2016-17	2017-18	2018-19	2019-20
Maximum Tax Levy Permissible Under Law	101,035,408	98,005,932	100,374,432	101,498,780	103,644,927
Actual BOE Tax Levy Submitted to Voters	100,446,816	97,538,802	97,538,802	100,328,412	103,288,099
Annual Savings To Taxpayers	(588,592)	(467,130)	(2,835,630)	(1,170,368)	(356,828)
Total Prior Year Cumulative Savings	0	(588,592)	(1,055,722)	(3,891,352)	(5,061,720)
Cumulative Savings to Taxpayers	(588,592)	(1,055,722)	(3,891,352)	(5,061,720)	(5,418,548)

	2020-21	2021-22	2022-23	2023-24	2024-25
Maximum Tax Levy Permissible Under Law	107,188,882	108,994,801	109,131,485	112,221,946	109,791,103
Actual BOE Tax Levy Submitted to Voters	106,273,125	108,031,945	108,577,500	108,577,500	108,577,500
Annual Savings To Taxpayers	(915,757)	(962,856)	(553,985)	(3,644,446)	(1,213,603)
Total Prior Year Cumulative Savings	(5,418,548)	(6,334,304)	(7,297,160)	(7,851,145)	(11,495,591)
Cumulative Savings to Taxpayers	(6,334,304)	(7,297,160)	(7,851,145)	(11,495,591)	(12,709,194)

Your finding that the District did not develop and adopt realistic budgets is also inaccurate because it focuses only on appropriations and would clearly lead a typical reader to conclude that the District increased its financial strength by $69.2 million during the five-year period of your review. This is not true. The actual audited results of our operating activity, which is all revenue less all expenditures, clearly indicates that the District incurred cumulative operating surpluses of $26.4 million [OSC Comment: See Appendix C, Note 3] during this five-year time period. You are aware of these facts because our audit reports are submitted to your office annually. Even this official cumulative surplus is significantly overstated because it includes two years of audited operating results during the COVID-19 pandemic when most school districts were incurring large operating surpluses due to disruptions in the delivery of services. ***With the COVID years of 2019-20 and 2020-21 removed from your five-year review***, our surpluses averaged 2.3 percent over the three-year time period, and a mere 0.6 percent during the last two years of your review. ***Most recently, the District incurred an operating deficit of $1,000,000 in 2024-25 and is projected to incur a larger operation deficit for 2025-26***. This continuing budgetary pressure has forced us to consolidate and reduce staff, reduce the purchase of goods and services, and further rely on the use of our fund balance and reserve accounts. These facts have been disclosed in a highly transparent manner in multiple public budget presentations each year.

Stating that the District did not properly manage fund balance is also inaccurate and does a significant disservice to the readers of this report. You openly acknowledged at our exit conference that the District did **not** violate any laws, regulations, or authoritative guidance [OSC Comment: See Appendix C, Note 1] related to our fund balance and reserve accounts. You also openly acknowledged that your report included **theoretical** calculations showing how we "could have circumvented the statutory limit..." by not using our designated fund balance. However, the theoretical charts you created in your report omitted the 2022-23 school year when the District **did** use the designated fund balance by incurring a $6.4 million deficit [OSC Comment: See Appendix C, Note 4].

The District appreciates the opportunity to provide you with financial evidence and feedback related to this report. If you have any questions, please do not hesitate to contact my office.

Regards,

Dr. Dina M. Anzalone, Superintendent of Schools

Cc: Board of Education

Appendix C: OSC Comments on the District's Response

Note 1

While the report does not identify a specific violation of law, regulation or authoritative guidance, this should not be interpreted as assurance that the District complied with all applicable laws, regulations and authoritative guidance. Throughout the report, we cite authoritative guidance to identify the improvements needed in the District's financial management. Therefore, the District's statement is not an accurate characterization of our conclusions or discussion.

Note 2

The calculation of the District's tax cap was not relevant to the audit scope. Our audit testing focused on analyzing the District's management of fund balance and reserves.

Note 3

The District's overestimated general fund appropriations and unbudgeted year-end transfers totaled $69.2 million for four of the five years in the audit scope.

Note 4

The Board appropriated fund balance totaling $6.2 million in the 2019-20, 2020-21 and 2021-22 fiscal years. However, we determined that the Board did not use the fund balance that they appropriated each year because the District had operating surpluses totaling approximately $24 million (an average of approximately $8.2 million each year) during the three fiscal years. By including appropriated fund balance in the budget that was unneeded or unused, the District essentially reserved fund balance that was not provided for by statute, which could circumvent the statutory limit that is imposed on the level of surplus fund balance that the District may retain.

Appendix D: Audit Methodology and Standards

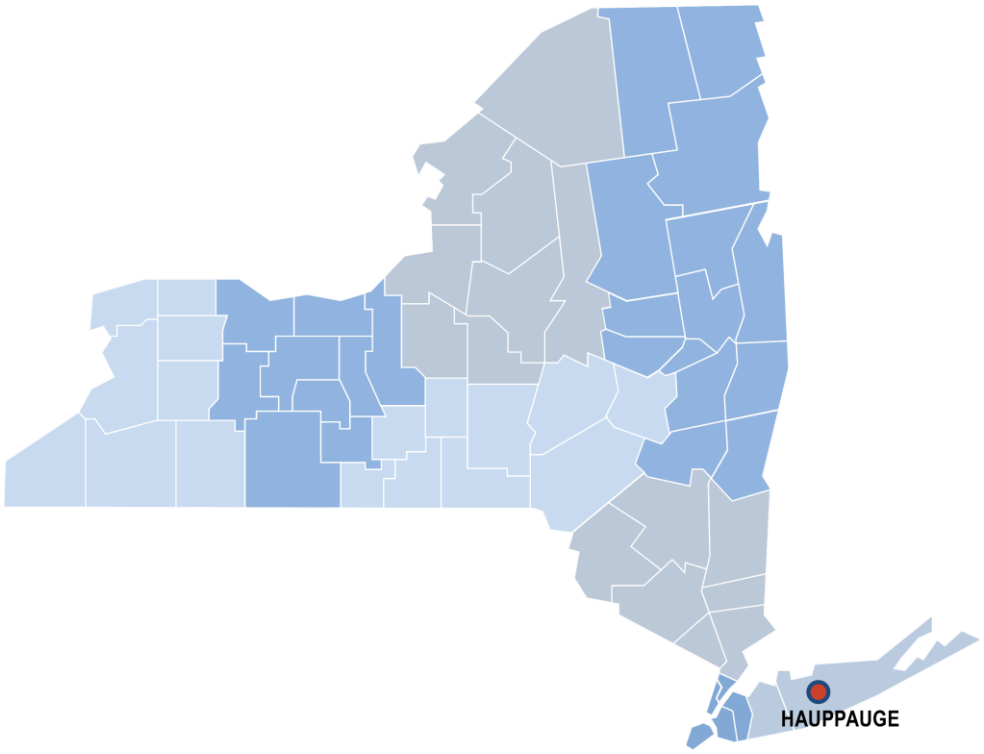
OSC auditors obtained an understanding of internal controls that were deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of the work on internal controls, as well as the work performed in the audit procedures to achieve the audit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

- We interviewed District officials and reviewed the Board's meeting minutes, resolutions, adopted budgets and policies to gain an understanding of the District's financial management policies, procedures and budgeting practices and to determine what financial information is provided to and reviewed by the Board.
- We compared estimated revenues to actual revenues and budgeted appropriations to actual appropriations from July 1, 2019 through June 30, 2024 to identify any differences between the estimated and actual budgets.
- We analyzed general fund financial records from July 1, 2019 through June 30, 2024 to identify trends and determine whether officials appropriated and used fund balance to finance expenditures. If we determined that officials appropriated but did not use fund balance, we recalculated to determine whether the fund balance amount was within the legally allowed limit.
- We reviewed information related to the District's establishment of its nine reserves to determine whether the Board passed resolutions approving the establishment and funding of all nine reserves. We also reviewed general fund appropriations and the amount of funds transferred to the reserves to determine whether the transfers were permissible, appropriations were used and reserve balances were within legally allowed limits. We compared the beginning balances to the ending balances for each reserve to determine whether District officials were using reserve funds to finance related expenditures and to determine whether balances were reasonable.

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

Questions?

HAUPPAUGUE REGIONAL OFFICE
Ira McCracken, Chief of Municipal Audits
NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York 11788-5533
Tel (631) 952-6534 • Fax (631) 952-6091
Email: Muni-Hauppauge@osc.ny.gov
Serving: Nassau, Suffolk counties



Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4044

https://www.osc.ny.gov/

Prepared by the Division of Local Government and School Accountability

NYS FOLLOW US: osc.ny.gov/subscribe