



# Lawrence Union Free School District

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Financial Management

2025M-115 | February 2026

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# Audit Results



## Lawrence Union Free School District

Audit Objective	Audit Period
Did the Lawrence Union Free School District (District) Board of Education (Board) and officials properly manage fund balance?	July 1, 2021 – June 30, 2025.  We extended our audit period back to July 1, 2019 to review real property tax trends and forward to October 30, 2025 to review the District's 2024-25 fiscal year financial data.
Understanding the Audit Area	
<p>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 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 the 4 percent surplus fund balance<sup>1</sup> limit, and avoid excessive reserves that burden taxpayers, all while ensuring funds are used for genuine needs rather than sitting underutilized. Proper management helps ensure resources meet student needs while maintaining financial health.</p> <p>The District's 2024-25 fiscal year general fund total appropriations were approximately \$102 million. As of June 30, 2025, general fund surplus fund balance totaled \$3.2 million.</p>	

## Audit Summary

The Board and District officials did not properly manage fund balance. For the 2021-22 through 2023-24 fiscal years, the District's reported surplus fund balance ranged from approximately 7 to 15 percent of the upcoming year's budget, which was \$3.5 million to \$11.1 million over the 4 percent statutory limit. The District did not exceed the statutory limit for the 2024-25 fiscal year primarily due to an unbudgeted \$15 million transfer to the capital projects fund, as reported in the District's annual financial report submitted to the New York State Education Department<sup>2</sup> for the 2024-25 fiscal year.

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

<sup>2</sup> School districts must file the New York State Annual Financial Report with the New York State Education Department to report their revenues and expenditures. It is based on the State Comptroller's uniform system of accounts and details all financial activities for the fiscal year.

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Additionally, for the 2021-22 through 2023-24 fiscal years, the Board adopted budgets that annually overestimated appropriations by an average of \$9.4 million per year, or a cumulative total of approximately \$28.2 million (10 percent), after adjusting for unplanned transfers. The majority of the overestimated appropriations were for instruction, health insurance benefits and special education services totaling \$17 million. By maintaining surplus fund balance at more than the statutory limit, District officials are withholding funds from productive use.

The report includes two recommendations that, if implemented, will improve the District's financial management. District officials generally agreed with our recommendations. Appendix C includes our comment on an issue raised in the District's response letter.

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 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 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: Finding and Recommendations

A school district board of education 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 fiscal year’s real property tax levy or appropriately fund needed reserves.

To properly manage fund balance, the board of education 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. Accurate and reasonable budget estimates that include the amounts 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 surplus fund balance does not exceed the legal limit.

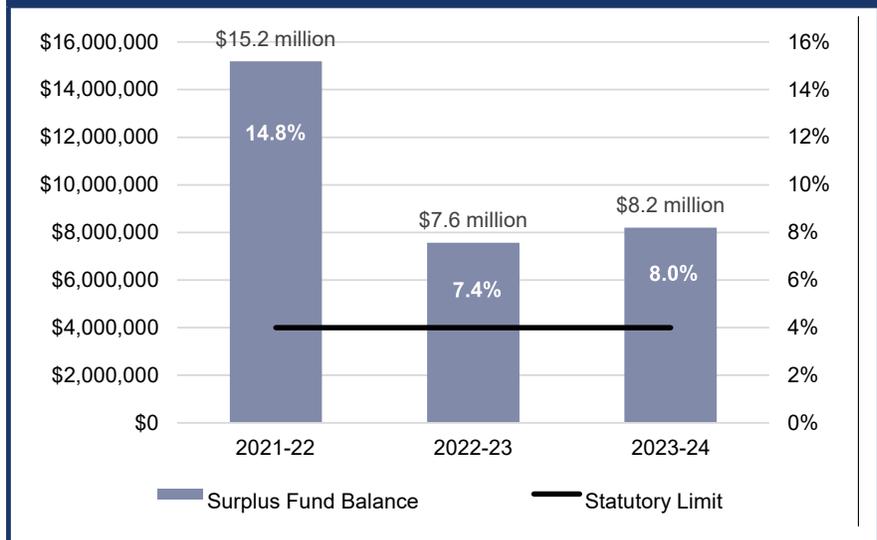
More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 5), are included in Appendix A.

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

For the 2021-22 through 2023-24 fiscal years, the District’s reported surplus fund balance ranged from approximately 7 to 15 percent of the upcoming fiscal year’s budget, which was \$3.5 million to \$11.1 million over the 4 percent statutory limit (Figure 1). Based on the District’s recently filed annual financial report, the surplus fund balance did not exceed the statutory limit at the end of the 2024-25 fiscal year, primarily due to an unbudgeted \$15 million transfer to the capital projects fund.

The District reported operating surpluses in two of the three fiscal years reviewed; in the 2022-23 fiscal year, the District reported an operating deficit primarily due to an interfund transfer to the capital fund. The Superintendent of Schools (Superintendent) and Assistant Superintendent for Business and Operations (Assistant Superintendent) told us this was an unbudgeted interfund transfer because each year they submit a proposition to voters to add funds to the capital

**Figure 1: Surplus Fund Balance as a Percentage of the Upcoming Fiscal Year’s Budget**



project reserve. However, since the proposition occurs after the budget is prepared, it is not included in the adopted budget. In the 2023-24 fiscal year, the sale of a building for \$12.1 million contributed to an operating surplus.

We compared the District’s budgeted revenues and appropriations with actual operating results for the 2021-22 through 2023-24 fiscal years. While estimated revenues were generally reasonable, appropriations were overestimated by an average of \$9.4 million each year, or a total of \$28.2 million (10 percent), after adjusting for transfers (Figure 2). The District’s practice of making unbudgeted transfers creates the appearance that total expenditures were more consistent with budgeted appropriations than they were.

**Figure 2: Overestimation of General Fund Appropriations by Fiscal Year**

	2021-22	2022-23	2023-24	Totals
<b>Appropriations</b>	\$102,490,053	\$102,490,053	\$102,850,379	\$307,830,485
<b>Actual Expenditures</b>	96,257,253	113,447,446	104,886,006	314,590,705
<b>Less: Transfers</b>	5,000,000	20,000,000	10,000,000	35,000,000
<b>Adjusted Actual Expenditures</b>	91,257,253	93,447,446	94,886,006	279,590,705
<b>Overestimated Appropriations</b>	\$11,232,800	\$9,042,607	\$7,964,373	\$28,239,780
<b>Percentage Overestimated</b>	12%	10%	8%	10%

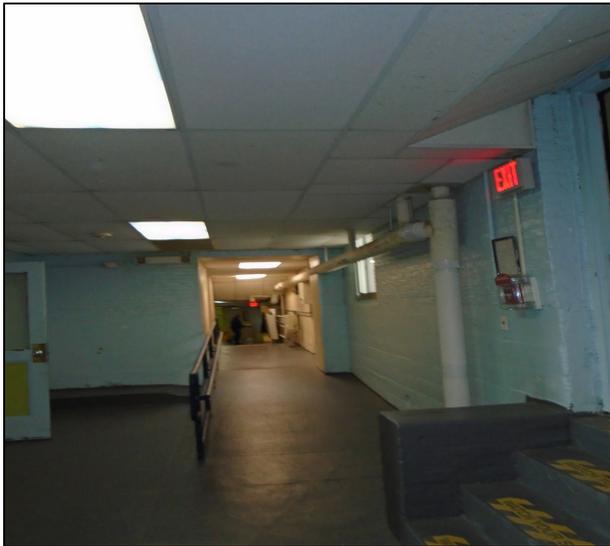
The most significant overestimated appropriations were for instruction, health insurance benefits and special education services. These appropriations were overestimated by a total of approximately \$17 million from the 2021-22 through 2023-24 fiscal years. The cumulative effect of these variances contributed to excess surplus fund balance.

The Assistant Superintendent told us it was difficult to estimate these appropriations due to various uncertainties, such as retirements and reductions in staff, which are not known at the time of budget preparation and affect health insurance and instructional costs. Additionally, the Assistant Superintendent told us that because health insurance rates increase in January, District officials must project the potential increase and typically budget on the higher side to avoid underfunding. Furthermore, certain special education students transferred to private schools, and settlements for these services were often finalized years later and may not have been reflected in the budget. As a result, officials found it difficult to estimate how many special education students would require services.

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

The District operated four buildings constructed between 1910 and 1960, each with varying levels of maintenance and infrastructure needs. We toured each of the District’s four buildings on May 27, 2025 and May 28, 2025. The Assistant Superintendent highlighted significant needs for capital improvements on the District’s buildings and infrastructure. For example, two of the District’s oldest school buildings had areas with aging infrastructure and dimly lit hallways. The buildings and infrastructure also had exterior and interior maintenance needs (Figures 3 and 4).

**Figure 3: Dimly Lit Hallways and Exterior Façade Needs<sup>a</sup>**



<sup>a</sup> Photos taken by OSC auditors in May 2025 with permission from District officials.

**Figure 4: Exterior Infrastructure and Interior Maintenance Needs<sup>a</sup>**



<sup>a</sup> Photos taken by OSC auditors in May 2025 with permission from District officials.

Although the real property tax levy has remained unchanged for at least the last five fiscal years, when surplus fund balance exceeds the statutory limit, the Board and District officials are withholding significant funds from productive use, such as funding needed capital improvements or reducing the tax

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levy to provide relief to taxpayers. On May 20, 2025, District voters approved the Board's propositions to address ongoing capital improvements.<sup>3</sup>

## Recommendations

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The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for appropriations.
2. Develop and adopt a plan to maintain surplus fund balance within the statutory limit. Surplus fund balance can be used for:
  - Reducing District property taxes,
  - Funding one-time expenditures,
  - Funding needed reserves, like capital improvements and
  - Paying off debt.

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<sup>3</sup> Proposition number 3 proposed a 2025 building capital reserve fund creation and expenditures authorization of \$10 million, and proposition number 4 called for a 2026 building capital reserve creation and expenditure authorization of \$5 million.

# Appendix A: Profile, Criteria and Resources

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## Profile

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The District is located in the Town of Hempstead in Nassau County and is governed by the elected seven-member Board. The Board is responsible for the District's general management and control of financial affairs. The Superintendent is the chief executive officer responsible for the District's day-to-day management under the Board's direction. The Assistant Superintendent is responsible for the administration and supervision of financial activities, including working with the Board and Superintendent to administer the budget.

## 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. The board of education 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 in excess of the 4 percent limit to reduce the upcoming fiscal year's real property tax levy or appropriately fund needed reserves.

To properly manage fund balance, the board of education 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 of education must estimate the amounts the school district will spend and receive, the amount of fund balance that will be available at fiscal year-end to use toward the upcoming fiscal 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.

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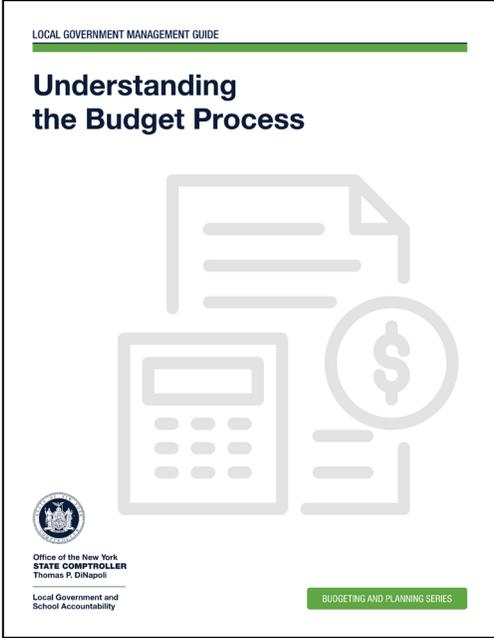
## Additional Financial Management Resources

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**Figure 5: OSC Publication**

OSC *Local Government Management Guide* available on our website to help officials understand and perform their responsibilities.

***Understanding the Budget Process***



<https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

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

## LAWRENCE UNION-FREE SCHOOL DISTRICT

**Ann Pedersen, Ed.D.**  
Superintendent of Schools

**Jeremy Feder**  
Assistant Superintendent  
Business & Operations



The district has managed its fund balance appropriately and with sound financial practices. Of the various funds maintained by the district, only the unassigned fund balance exceeded the recommended guideline, and this was the result of a deliberate fiscal decision. The four percent benchmark is a guideline specific to school districts and represents a relatively limited reserve when evaluated against the district's current and projected capital needs. Two district buildings requiring upgrades are more than one hundred years old and maintaining reserves at only the minimum level would limit the district's ability to respond to unforeseen circumstances.

See  
Note 1  
Page 10

Over the past ten years, capital propositions have been approved by voters at rates ranging from 64 to 75 percent. These capital projects are funded, in part, through unexpended budgetary funds. This historical approval trend represents a consistent and reliable factor in the district's financial planning and is considered alongside other variables that are less predictable, such as staff retirements and midyear adjustments to health insurance premiums.

The instructional budget is developed based on existing staffing levels at the time of budget preparation. Because budget codes are assigned by building and subject area, it is not feasible to accurately identify in advance which specific positions may become vacant due to retirement and to adjust individual budget lines accordingly.

Health insurance premiums are finalized in January, while budget development occurs in February and the budget is subject to voter approval in May. Once approved, the district is legally prohibited from exceeding the voter-authorized expenditure limit. Accordingly, conservative projections are utilized during budget development to mitigate the risk of unanticipated increases and to ensure fiscal compliance.

Special education expenditures continue to increase and are inherently variable. Budgeting for higher-cost scenarios is a prudent practice that supports fiscal stability and reduces the risk of over-expenditure.

The district has no outstanding debt, and its capital projects represent planned and necessary investments in district facilities. Maintaining an unassigned fund balance above the minimum guideline supports financial stability and provides appropriate fiscal capacity to address both anticipated needs and unforeseen events.

Taken together, these practices demonstrate the district's commitment to responsible financial management, regulatory compliance, and long-term fiscal sustainability. The district will continue to monitor fund balance levels, budgeting assumptions, and expenditure trends to ensure alignment with statutory requirements and best practices while safeguarding the interests of taxpayers and supporting the district's operational and capital needs.

Jeremy Feder  
Assistant Superintendent  
Business & Operations

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# Appendix C: OSC Comment on the District's Response

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## Note 1

New York State Real Property Tax Law (RPTL) Section 1318 limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget. District officials reported surplus fund balances for the 2021-22 through 2023-24 fiscal years ranging from approximately 7 to 15 percent of the upcoming year's budget, which did not comply with RPTL. The 4 percent limit is a statutory requirement, not a benchmark.

# Appendix D: 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 District officials and reviewed Board meeting minutes, resolutions and policies to gain an understanding of the District's financial planning and budgeting procedures.
- We calculated the results of operations for the 2021-22 through 2023-24 fiscal years to determine whether there was an operating surplus or deficit.
- We compared estimated revenues to actual revenues and budgeted appropriations to actual expenditures for the 2021-22 through 2023-24 fiscal years to analyze the reasonableness of Board-adopted budgets.
- We analyzed the District's fund balance for the 2021-22 through 2023-24 fiscal years to identify trends. On October 30, 2025 we reviewed the 2024-25 fiscal year data from the District's recently filed annual financial report to identify up-to-date fund balance levels.
- We toured each of the District's four buildings with the Assistant Superintendent on May 27, 2025 and May 28, 2025 to identify any significant needs for capital improvements or maintenance on the District's buildings and infrastructure.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

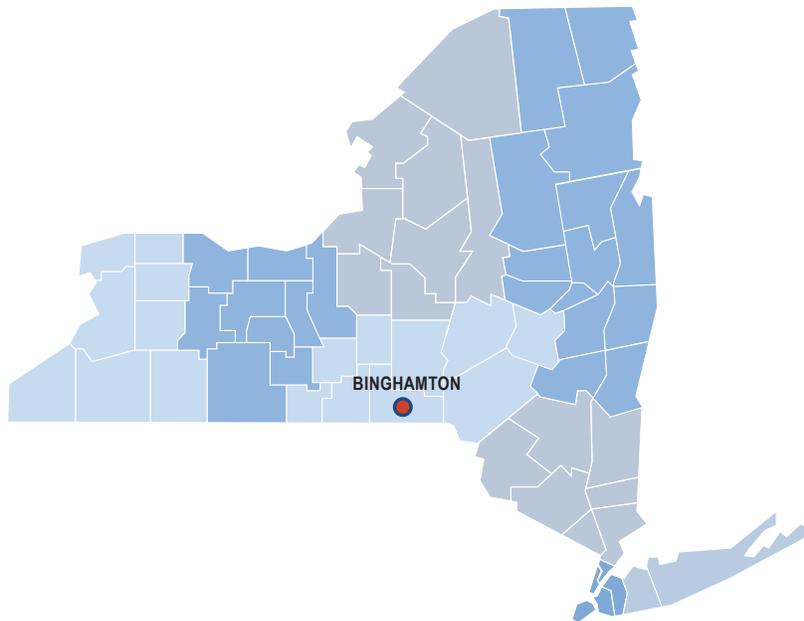
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