

New York State Comptroller  
THOMAS P. DiNAPOLI

# Levittown Union Free School District

## Financial Management

July 2026 | 2026M-13

Prepared by the Division of Local Government and School Accountability

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# Audit Results

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## Levittown Union Free School District

### Audit Objective

Did the Levittown Union Free School District (District) Board of Education (Board) and District officials effectively manage fund balance?

### Audit Period

July 1, 2019 – June 30, 2025

### Understanding the Audit Area

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 limit,<sup>1</sup> and avoid excessive reserves that burden taxpayers, all while ensuring funds are used for genuine needs rather than remaining underutilized. Proper management helps ensure resources meet student needs while maintaining financial health.

The District's general fund expenditures for fiscal year 2024-25 totaled \$241.8 million and its budgeted appropriations for the 2025-26 fiscal year are \$274.1 million. The District's six reserve funds totaled \$30.2 million as of June 30, 2025.

### Audit Summary

The Board and District officials did not manage fund balance effectively. The Board and District officials overestimated certain appropriations, underestimated certain revenues and appropriated surplus fund balance and reserves to balance the budget when these funds were not necessary for operations. The Board and District officials' consistent practice of appropriating fund balance that is not needed to finance operations results in real property tax levies that are higher than needed. Further, the lack of Board-authorization and detailed reporting on reserve fund activities is not transparent to taxpayers and does not allow the Board sufficient information to make informed decisions.

For the fiscal years 2020-21 through 2024-25, the Board and District officials:

- Overestimated appropriations by \$127.1 million,
- Appropriated fund balance and reserves totaling \$64.9 million that was not needed to fund operations,
- Underestimated revenues by \$23.6 million,
- Did not ensure reserve fund activities totaling \$19.4 million were Board-authorized,
- Did not ensure reserve funds were reviewed monthly from March through May each year and that the annual reserve fund reports included each reserve's transaction activity, needs, conditions for use and targeted funding levels required by the District policy.

As a result, the District had unplanned operating surpluses totaling \$87.9 million, and the recalculated surplus fund balance exceeded the legal limit by at least 3 percentage points in each of the five years reviewed.

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<sup>1</sup> New York State Real Property Tax Law (RPTL) Section 1318

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

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's 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 school district officials should develop and adopt reasonably estimated budgets based on historical trends, to properly manage fund balance and to ensure the tax levy is not greater than necessary. The board 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. Surplus fund balance in excess of the 4 percent limit must be either applied to the next year’s budget to reduce the upcoming year’s real property tax levy or used to appropriately fund needed reserves.

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

## Finding 1 – The Board did not develop and adopt realistic budgets because it overestimated appropriations and underestimated revenues.

We compared general fund budgeted appropriations and estimated revenues with actual operating results for fiscal years 2020-21 through 2024-25 to determine whether budget estimates were reasonable. Over the five years, the Board adopted budgets that overestimated appropriations by \$127.1 million and underestimated revenues by \$23.6 million. While the revenues variances were considerably lower than the appropriation variances, they contributed to the District’s unplanned operating surpluses each year. The Assistant Superintendent for Business and Finance (Assistant Superintendent) and Board members indicated that budget variances in the revenues and expenditures appropriations were due to conservative budgeting.

District officials overestimated appropriations in each of the five years (Figure 1) by an average of \$25.4 million.

**Figure 1: Overestimated Appropriations**

	2020-21	2021-22	2022-23	2023-24	2024-25	Five-Year Total
<b>Appropriations</b>	\$226,670,495	\$230,526,130	\$237,145,567	\$249,035,193	\$259,843,692	\$1,203,221,077
<b>Less: Actual Expenditures</b>	197,537,896	199,580,372	212,386,002	224,854,763	241,786,959	1,076,145,992
<b>Amount Under Budget</b>	\$29,132,599	\$30,945,758	\$24,759,565	\$24,180,430	\$18,056,733	\$127,075,085
<b>Percentage Under Budget</b>	12.85%	13.42%	10.44%	9.71%	6.95%	10.56%

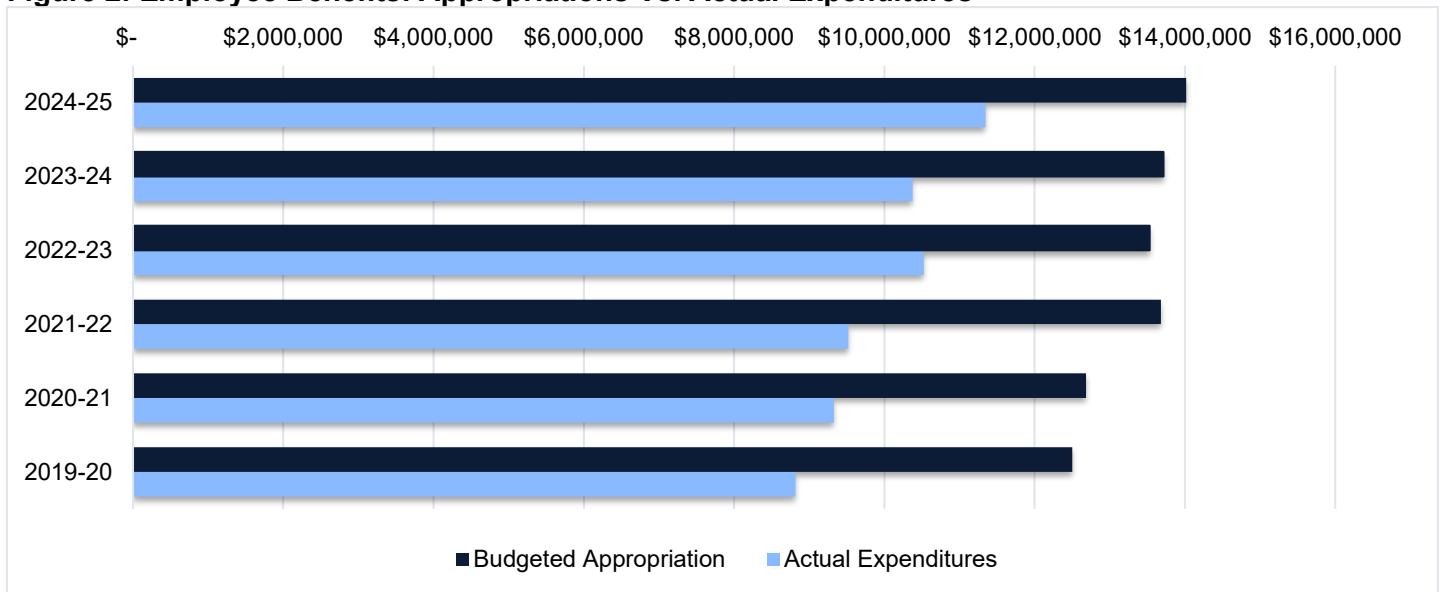
The overestimated appropriations were spread throughout the budget each year, with the largest variances over the five years being for:

- Employee benefits – totaling \$60.2 million, including variances in retirement contributions and hospital, medical and dental insurance,
- Programs for Students with Disabilities totaling \$19.1 million,
- Teaching salaries totaling \$13.5 million, and
- Plant operations totaling \$7.7 million.

Appropriations for employee benefits were overestimated by between \$9.5 million (in fiscal year 2020-21) and \$13.4 million (in fiscal year 2024-25) each year. The Assistant Superintendent said the budget variances in employee benefits were intentional. The District plans to have surpluses in those budget lines each year, for use as appropriated fund balance in the subsequent year. He added that, based on input from the District’s independent auditors, officials are decreasing their reliance on fund balance and reserve funds, so the budget variances in those lines should be smaller each year. However, we did not observe smaller variances.

We spoke with two Board members to confirm their understanding of this budgeting practice. Both Board members said that the appropriations for employee benefits are overestimated because it is challenging to predict costs in those areas and not to intentionally build surpluses. While the appropriations for employee benefits may be challenging to predict, officials have historical trends of actual costs that can be used to aid in determining the estimates. It does not appear District officials used the historical trends because budget variances for employee benefits generally increased over the five fiscal years (Figure 2).

**Figure 2: Employee Benefits: Appropriations Vs. Actual Expenditures**



Programs for Students with Disabilities appropriations were overestimated by between \$1 million (in fiscal year 2024-25) and \$6 million (in fiscal year 2020-21) annually. The Assistant Superintendent and one Board member told us that officials – including the Special Education department head – are concerned about the number of students with special needs that could enter the District, as well as District-enrolled students being placed in schools outside the District, which could significantly add to the cost of the related services, tuition and transportation. Officials acknowledged that appropriations were significantly overestimated in the past. However, officials indicated that they have improved appropriation estimates in more recent years, using fiscal year 2024-25 as their support, with that year having the lowest variance of appropriations to actual expenditures for the years reviewed.

Teaching appropriations were overestimated by between \$747,000 (in fiscal year 2024-25) and \$4.6 million (in fiscal year 2021-22) annually. The Assistant Superintendent told us that officials have noticed the surplus in the Teaching budget, and the cause has not been identified, so they cannot yet explain it. The results for fiscal year 2024-25 show the lowest variance, which may indicate that the current administration has already started budgeting more realistically.

Lastly, Plant Operations appropriations were overestimated by between \$1 million (in fiscal year 2021-22) and \$2 million (in fiscal year 2023-24) annually. The Assistant Superintendent explained that these costs are still being estimated at pre-COVID staffing levels each year. However, the District has been unable to fill vacancies in this department.

We determined District officials reasonably estimated revenues in fiscal year 2020-21 but underestimated revenues in the remaining four fiscal years (Figure 3).

**Figure 3: Underestimated Revenues**

Fiscal Year	Estimated Revenues	Actual Revenues	Excess Amount
2020-21	\$212,168,148	\$213,083,014	\$914,866
2021-22	214,744,586	217,835,060	3,090,474
2022-23	225,399,709	228,688,031	3,288,322
2023-24	239,436,466	247,156,993	7,720,527
2024-25	248,722,899	257,317,600	8,594,701
<b>Total</b>	<b>\$1,140,471,808</b>	<b>\$1,164,080,698</b>	<b>\$23,608,890</b>

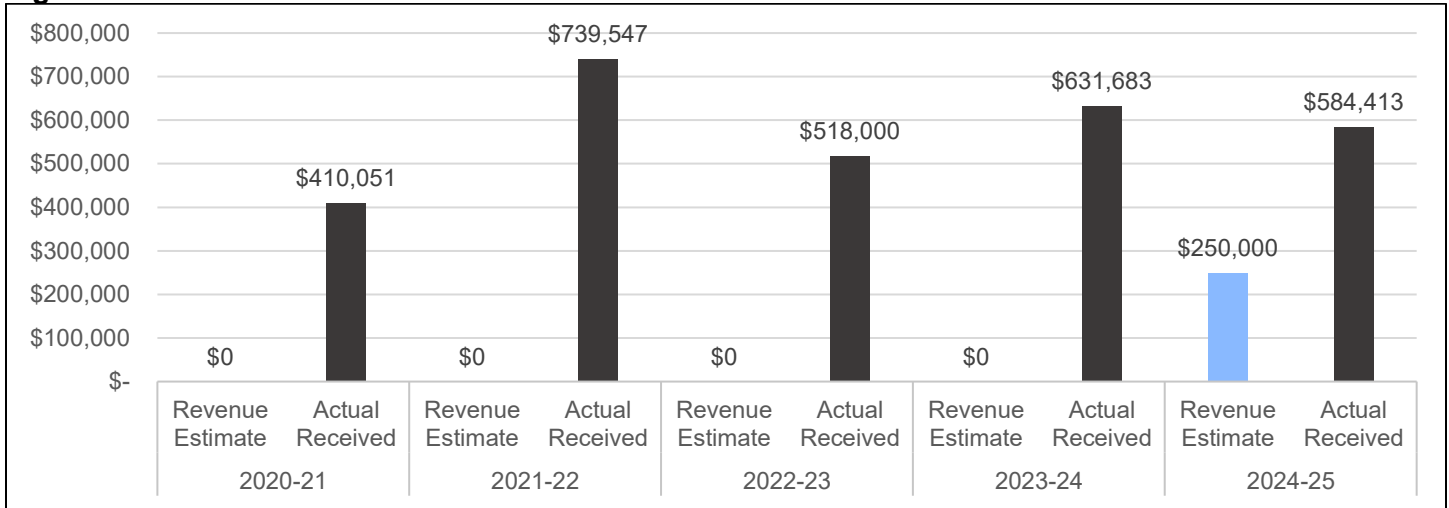
The majority of the underestimated revenues were for interest and earnings, which were estimated at \$2.3 million over five years. However, the District realized a total of \$11 million, or \$8.7 million more than expected. In addition, District officials did not include a revenue estimate for “refunds of prior years” in fiscal years 2019-20 through 2023-24. Between fiscal years 2020-21 and 2024-25 the District realized a total of \$6.7 million for “refund of prior years”.<sup>2</sup> The Assistant Superintendent said that interest and earnings are mainly generated by capital reserves, most of which now have capital projects in progress and will soon be expended. Because of this, and the potential for interest rates to decrease, he has been reluctant to increase the estimated amount.

“Refunds of prior years” include Refunds of Prior Years – BOCES and Refunds of Prior Years – Other, which each averaged over \$500,000 in earnings annually. Despite this trend in earnings, District officials did not estimate revenue for Refunds of Prior Years – Other, in any of the five years reviewed and four of the five years for Refunds of Prior Years - BOCES. Because this was before his tenure, the Assistant Superintendent told us he was not certain why Refunds of Prior Years – BOCES was not estimated before the 2024-25 fiscal year. He added that while it is not certain how much revenue the District will receive for this line item, he recognizes that it cannot be ignored as a revenue stream and included an estimate for the fiscal year 2024-25 budget. However, while revenue for Refunds of Prior Years – BOCES received in each of the last four fiscal years has exceeded \$500,000, the Assistant Superintendent estimated this revenue at \$250,000, which is underestimated by at least \$250,000 (Figure 4).

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<sup>2</sup> Refunds of Prior Years – BOCES which earned \$2.9 million and Refunds Prior Years – Other, which earned \$3.8 million were combined.

**Figure 4: Refunds of Prior Years - BOCES: Revenue Estimate Vs. Actual Received**



The Accountant told us that Refunds of Prior Years – Other is used for miscellaneous revenue that cannot be estimated because the amount received fluctuates. For example, in December 2024 the District received \$251,340 from the County to offset costs related to the committee for pre-school education. This receipt was captured in the miscellaneous revenue account code. Additionally, the Assistant Superintendent said that the Board and officials understand that conservative revenue estimates could result in budget surpluses and that is acceptable.

Had District officials used historical trends and included more reasonable budgetary estimates for revenues and appropriations, the District would have been able to reduce property taxes by at least \$127 million and use the appropriated fund balance to finance operations. By continually overestimating appropriations each year, the Board and officials are not presenting the District’s spending plan in a transparent and meaningful manner to taxpayers.

## Recommendation

The Board and District officials should:

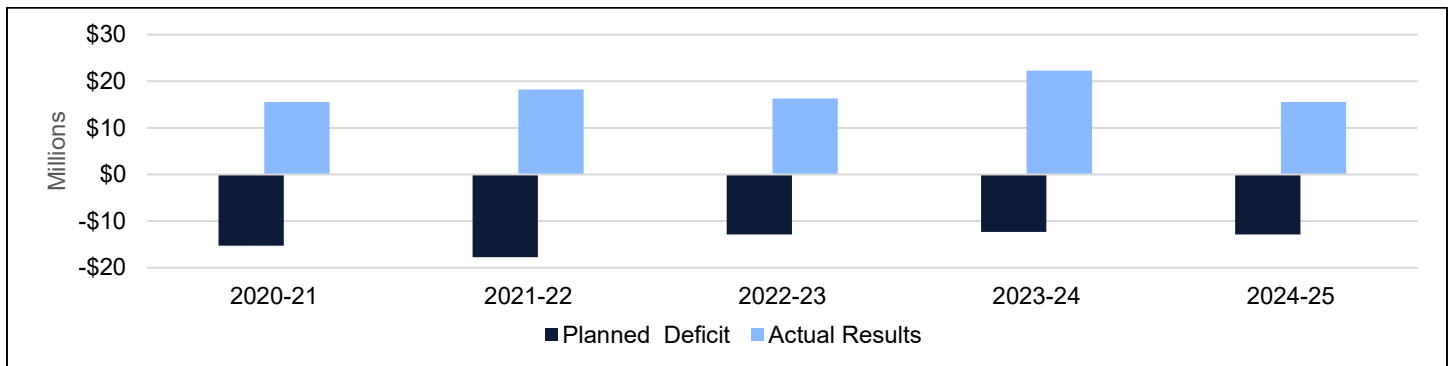
1. Develop and adopt budgets that include reasonable estimates for appropriations, estimated revenues and the amount of fund balance that will be appropriated and used to fund operations.

## Finding 2 – The Board appropriated fund balance that was not needed or used to finance District operations.

When surplus fund balance is appropriated to fund the budget, the Board and officials are informing taxpayers that the District’s estimated revenues are less than the estimated appropriations and that surplus fund balance is needed to balance the budget. Appropriating surplus fund balance reduces the District’s reported unreserved surplus fund balance. When appropriated fund balance is not needed to pay operating expenditures, it indicates that estimates were not reasonable and the tax levy was higher than necessary.

The Board appropriated \$51.7 million in surplus fund balance over a five-year period to finance annual expenditures. However, the District’s revenues were sufficient to cover expenditures each year and none of the \$51.7 million was needed for the District’s operations. The District experienced unplanned operating surpluses between \$15.5 and \$22.3 million over the five-year period (Figure 5). District officials used the surpluses to fund various reserves, mainly for capital projects.

**Figure 5: Operating Results**



From fiscal years 2020-21 through 2024-25, the District appropriated an average of \$10.3 million in surplus fund balance to supplement the annual budgets. The appropriation of fund balance made it appear that the District’s surplus fund balance was within the 4 percent statutory limit (Figure 6).

**Figure 6: Surplus Fund Balance at Year End**

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Total Beginning Fund Balance</b>	\$53,778,940	\$67,911,206	\$89,479,078	\$47,508,211 <sup>b</sup>	\$66,418,242
<b>Add: Operating Surplus (Deficit)</b>	14,132,266	21,567,872	(40,156,691) <sup>a</sup>	18,910,031	(9,874,948) <sup>c</sup>
<b>Total Ending Fund Balance</b>	\$67,911,206	\$89,479,078	\$49,322,387	\$66,418,242	\$56,543,294
<b>Less: Restricted Funds</b>	46,978,461	67,620,481	28,668,384	44,394,532	30,182,179
<b>Less: Encumbrances</b>	633,437	1,284,557	682,287	1,660,794	5,496,276
<b>Less: Appropriated Fund Balance for the Ensuing Year</b>	11,000,000	11,000,000	9,900,000	9,900,000	9,900,000
<b>Total Surplus Funds at Year End</b>	\$9,299,308	\$9,574,040	\$8,257,540 <sup>b</sup>	\$10,462,916	\$10,964,839
<b>Ensuing Year’s Budgeted Appropriations</b>	\$232,482,694	\$239,351,011	\$251,792,906	\$261,572,899	\$274,120,957
<b>Surplus Funds as Percentage of Ensuing Year’s Budget</b>	4%	4%	3.28%	4%	4%

a) The 2022-23 reported operating deficit is a result of \$56 million (\$48.2 million from capital reserves, \$5.1 million from surplus fund balance, and \$2.7 million from Debt service fund) transferred to the capital projects fund. The District had an operating surplus of \$16 million before the transfers.  
 b) The 2022-23 ending fund balance was adjusted for understated accrued liabilities which resulted in the 2023-24 beginning fund balance being restated.  
 c) The 2024-25 reported operating deficit is a result of \$25 million transferred to the capital projects fund. The District had an operating surplus of \$15.5 million before the transfer.

However, the District did not need to appropriate fund balance to finance operations in any of the five years. When unused appropriated fund balance was added back, the District’s recalculated surplus fund balance exceeded statutory limits each year by at least 3 percent of the next year’s appropriations (Figure 7). At the end of the 2024-25 fiscal year, the District appropriated \$9.9 million for the fiscal year 2025-26 budget which will likely not be used.

**Figure 7: Unused Fund Balance**

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Total Surplus Funds at Year End</b>	\$9,299,308	\$9,574,040	\$8,257,540	\$10,462,916	\$10,964,839
<b>Add: Appropriated Fund Balance Not Used to Fund Ensuing Year’s Budget</b>	11,000,000	11,000,000	9,900,000	9,900,000	9,900,000
<b>Total Recalculated Surplus Funds</b>	\$20,299,308	\$20,574,040	\$18,157,540	\$20,362,916	\$20,864,839
<b>Recalculated Surplus Funds as Percentage of Ensuing Year’s Budget</b>	8.73%	8.60%	7.21%	7.78%	7.61%

The Assistant Superintendent told us that, from his perspective, appropriated fund balance is a mechanism to build surplus. He has never contemplated using the appropriated fund balance. Instead, it is held as a revenue source. However, because the independent auditors have recommended that the District reduce its reliance on fund balance, the District has been lowering the appropriated fund balance amount. He said that they cannot shock the budget by just removing appropriated fund balance all together. Therefore, they have been gradually decreasing the amount from \$11 million in fiscal year 2019-20 to \$9.9 million appropriated for the 2021-22 through 2025-26 fiscal years. Although the Assistant Superintendent believes appropriated fund balance is a mechanism to build surplus, the purpose of appropriated fund balance is clear: it is to be used to finance operations and is not a mechanism for building surplus.

The practice of appropriating fund balance that is not needed to finance operations is, in effect, a reservation of fund balance that is not provided for by statute and a circumvention of the statutory limit imposed on the level of surplus fund balance. Appropriating fund balance that is not needed artificially reduces the amount of surplus fund balance subject to the statutory limit, giving the appearance that surplus fund balance is within or closer to the statutory limit. Because the Board and District officials consistently underestimated revenues and overestimated appropriations, it appeared that the District needed to use appropriated fund balance to close projected budget gaps totaling \$71.1 million for fiscal years 2020-21 through 2024-25. Instead, the District realized operating surpluses totaling \$87.9 million for the five years.

## Recommendation

The Board and District officials should:

2. Develop and adopt a plan to reduce surplus fund balance to comply with the statutory limit. Surplus funds can be used for:
  - Reducing District property taxes,
  - Funding one-time expenditures,
  - Funding needed reserves, and
  - Paying off debt.

## Finding 3 – Officials did not properly manage reserve funds.

The Board and officials did not ensure that fund balance appropriated from reserves was needed and used to finance District operations, reserves’ activities were approved or reported according to policy, and reserves were reasonably funded. The District reported six reserve funds with balances totaling \$30.2 million as of June 30, 2025, and included the following reserves:

- Employee retirement system contribution (ERS) reserve totaling \$10.4 million,
- Teachers' retirement system contribution (TRS) reserve totaling \$10.1 million,
- Capital reserve totaling \$4.6 million,
- Workers' compensation reserve totaling \$4.3 million,
- Unemployment insurance reserve totaling \$644,000, and
- Employee benefit accrued liability reserve (EBALR) totaling \$133,000.

The District's financial statements indicate that during the audit period, the District appropriated \$19.4 million from three reserve funds (ERS, EBALR and workers' compensation) to finance operations. We did not identify, nor could District officials provide, any Board resolutions authorizing the appropriation of reserve fund balance. There were no Board resolutions authorizing the withdrawal of funds from any reserves other than the capital reserve. One Board member told us that the amount appropriated from reserves is decided by the Board. However, the Board member could not tell us where these decisions are documented. The Assistant Superintendent said that appropriated reserves are a part of the budget presentation. Therefore, he believes the amount appropriated is Board-authorized when the Board adopts the budget. He also said that when the Board resolves to accept the financial statements with the reserve fund balances, it is approving the actual amounts withdrawn and/or added to the reserves. We reviewed the budget-adoption resolutions and did not find any mention of appropriated reserves or any other funding amounts. Instead, the resolutions approve only the estimated expenditures. At best, acceptance of the financial statements acknowledges the activities, it does not approve them because the activity has already occurred. It is not a transparent way to inform taxpayers of the District's intent to use or fund reserves.

The Assistant Superintendent told us that the amount of appropriated reserve funds is based on his ability to demonstrate to the Board that the amount used to fund operating expenditures can be replenished that same year, effectively showing that the reserve funds were not used. By doing that, he said he is creating an additional layer of financial security. However, when a board appropriates fund balance to finance operations, it is planning for an operating deficit (expenditures exceeding revenues), equal to the amount of fund balance that is appropriated. A realistic budget would not produce an operating surplus to replenish the appropriated fund balance when a deficit is expected.

Of the \$19.4 million appropriated from reserve funds, \$11.8 million was used to fund related operating expenditures. However, because the District realized operating surpluses instead of the planned operating deficits, \$5.5 million was returned to two of the reserves and an additional \$6.1 million was transferred to one reserve fund. The funding of \$6.1 million to the reserve was not included in the District's budget. Instead, the reserve was funded with unbudgeted year-end transfers from the operating surpluses. However, to increase transparency for taxpayers, anticipated funds to be placed in reserves should be included in the annual budget, as opposed to year-end transfers.

Monthly Reserve Reviews and Annual Reporting on Reserves – Although the reserve fund policy requires monthly review of reserve funds between March and May of each year, District officials could not provide documentation to support monthly review of reserves between March and May for any of the years reviewed. Two Board members told us that all reserves are monitored and activities pertaining to reserve funds are discussed at Board meetings, but discussions may be during executive sessions and not documented in the Board meeting minutes. The Assistant Superintendent told us that there are no monthly meetings to discuss reserves because updates to the Board are provided on an as-needed basis, and his office continually monitors fund balance during the budget development process. In addition, the required annual reserve fund reports did not contain the funding sources, targeted balances, projected needs and activities, limiting the Board's ability to make informed decisions regarding the funding and use of reserve funds.

We reviewed four annual reserve reports dated between March 2022 and February 2025<sup>3</sup> and determined that none of the four reports complied with the District's policy. While all four reports included the purpose for each reserve fund, and the targeted funding level for the capital reserve fund, none of them included the targeted funding level for the other five reserve funds. Furthermore, although three of the four reports included the conditions of use for the capital reserve and one report included projected needs for the EBALR and ERS reserve, none of the reports included the amounts and dates of withdrawals for any of the reserve funds.

The Assistant Superintendent told us that he focused on presenting the reserve balances and his office did not pay close attention to the policy's other requirements.

Reserve Fund Balances – Although the District's ERS, capital, TRS, EBALR and workers' compensation reserve funds appear to be reasonably funded, the unemployment insurance reserve fund was not reasonably funded.

As of June 30, 2025 the unemployment insurance reserve had a balance of \$644,015 to reimburse the New York State Unemployment Insurance Fund for payments made to claimants. The District had \$166,966 in unemployment expenditures for the last five years, an annual average of \$33,393, all paid from general fund appropriations. If future unemployment costs continue at the average rate, the reserve's current level is sufficient to pay annual unemployment expenditures for 19 years. The Assistant Superintendent said that officials have not made a decision about this reserve and still need to discuss it.

Because the Board did not ensure compliance with its policies, \$19.4 million in reserve funds were appropriated and \$11.8 million used without proper Board authorization. Furthermore, although it is prudent to plan and save for unforeseen circumstances, overfunding and/or not using reserves for their intended purpose results in real property taxes being higher than necessary because the funds are not being used to finance related expenditures.

## Recommendations

The Board and District officials should:

3. Determine the targeted funding level for each reserve and document the conditions for using reserve funds, as required by District policy.
4. Transparently fund reserves by including anticipated funding of reserves in the annual operating budget.
5. Review reserve fund activity monthly between March and May of each year, as required by District policy.
6. For each reserve, ensure the annual reserve report includes the targeted funding level, the conditions of use, the projected needs and the amounts and dates of withdrawals, as required by District policy.
7. Develop and adopt a plan to reduce the balance of the unemployment insurance reserve to a reasonable level.

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<sup>3</sup> No annual reserve report was available for 2019-20. In lieu of the report, we were provided with a fund balance five-year projection report. The report showed opening balances, interest for each reserve and an estimated appropriated amount.

# Appendix A: Profile, Criteria and Resources

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## Profile

The District is composed of 10 schools located in the Town of Hempstead, Nassau County. The District is governed by the seven-member Board responsible for the general management of its financial and educational affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible for managing the District's day-to-day operations, under the Board's direction. The Superintendent, with the help of the Assistant Superintendent, is responsible for preparing the budget. The current Superintendent and Assistant Superintendent were appointed effective July 2022 and were responsible for developing annual budgets subsequent to fiscal year 2022-23.

## Criteria

Fund balance is the difference between revenues and expenditures accumulated over time. School districts may retain a portion of surplus fund balance<sup>4</sup> for unexpected occurrences and fluctuations in cash flow. However, 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 adopt realistic 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 spend and receive, the amount of fund balance that will be available at fiscal year-end to use towards the upcoming year's budget and the expected real property tax levy. When a board appropriates fund balance to finance operations, it is planning for an operating deficit (expenditures exceeding revenues), which equals the amount of fund balance that is appropriated. A realistic budget should only include appropriated fund balance when a deficit is expected. 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.

School districts may establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives. The board should monitor and periodically assess the reasonableness of its reserve fund balances. A reserve fund policy that addresses the appropriate level of surplus funds to be maintained, replenishment levels and how and when it can be used, provides the board with guidelines for reserve fund management and use during the budget process. Amounts to be placed in reserve funds should be included in the budget for transparency with the public. When transfers to reserve funds are not included in the budget, they should be authorized by board resolutions that specify the amount to be transferred.

The District established policies to govern fund balance and reserve funds. The fund balance policy requires appropriated fund balance to be approved by Board resolution. It also requires a Board resolution approving any change in the amount of fund balance to be used. The reserve fund policy requires Board resolutions to withdraw money from reserve funds and requires the Assistant Superintendent to submit an annual report on reserves to the Board that includes the type and description of each reserve fund, possible uses, targeted funding levels, the date and total of each withdrawal, projected needs and the recommended funding for the projected needs. The policy also requires monthly review of reserve funds between March and May of each year.

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<sup>4</sup> For guidance on fund balance classification and reporting, see <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>

## 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:

- *Understanding the Budget Process*: <https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>
- *Reserve Funds*: <https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>
- *Financial Condition Analysis*: <https://www.osc.ny.gov/files/local-government/publications/pdf/financial-condition-analysis.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

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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)*,<sup>5</sup> and may have included changes to spelling and grammar. The substance of the content was not changed.

## Levittown Union Free School District

June 22, 2026

Office of the NYS Comptroller Hauppauge Regional Office  
Ira McCracken, Chief of Municipal Audits  
NYS Office Building, Room 3A10 250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Report Title: Financial Management – Report of Examination Report Number: 2026M-13

Dear Mr. McCracken:

The Levittown Union Free School District is in receipt of the Financial Management Audit Report, 2026M-13.

The Board of Education and District Administration commend the diligent work, observations, and recommendations provided by the Office of the State Comptroller (OSC). District officials have carefully reviewed the report and value the collaborative audit process, which offered an opportunity to evaluate existing financial practices and identify areas where enhancements will strengthen transparency, reporting, and long-term financial planning.

The District appreciates that several trends identified by the OSC reflect significant progress already underway. As highlighted in the report, annual operating surpluses have steadily declined, decreasing from a high of 13.42% in 2021–2022 to 6.95% in 2024–2025. This trend demonstrates the effectiveness of ongoing efforts to refine budget development practices and align expenditure and revenue estimates more closely with actual operating conditions.

Similarly, the District has taken meaningful steps to reduce its reliance on appropriated fund balance, lowering it from levels exceeding \$13.0 million in 2018–2019 to \$7.9 million in the adopted 2026–2027 budget. Additionally, administration has utilized available resources to fund one-time expenditures and establish three separate capital reserve funds to address critical infrastructure needs, including the installation of districtwide classroom air conditioning, new roofs, and one-button lockdown systems.

The District acknowledges the recommendations regarding reserve fund management and incorporated enhanced monitoring and reporting procedures during the development of the 2026–2027 budget. This includes the creation of a comprehensive annual reserve fund report aligned with both the OSC's recommendations and Levittown UFSD Board of Education Policy 5512. These actions build upon a continued commitment to strong fiscal oversight and long-term financial planning.

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<sup>5</sup> <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

A formal Corrective Action Plan incorporating these and other measures is currently being finalized and is scheduled for presentation to the Board of Education for adoption on July 8, 2026. Following adoption, the District will promptly submit the plan to the Office of the State Comptroller. Finally, the Board of Education and District Administration extend their gratitude to the OSC staff assigned to this audit for their knowledge, professionalism, and cooperation throughout the process.

Sincerely,

Todd Winch  
Superintendent of Schools

# Appendix C: Audit Methodology and Standards

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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 Board members and District officials, and reviewed Board meeting minutes, resolutions and policies to gain an understanding of the District's budgeting and financial management practices.
- We reviewed the general fund adopted budgets for fiscal years 2019-20 through 2024-25 and compared them to actual results of operations for the same period to determine whether they were reasonable and structurally balanced.
- We identified significant variances between adopted budgets and actual results of operations, analyzed the trends and obtained explanations for any underestimated revenues and overestimated appropriations.
- We reviewed Board resolutions adopting general fund budgets to determine whether appropriations from fund balance and reserves were authorized.
- We analyzed the District's fund balance for fiscal years 2019-20 through 2024-25 to identify trends.
- We calculated surplus fund balance as a percentage of the upcoming year's budgeted appropriations to determine whether it was within the statutory limit.
- We reviewed reserve fund balances and activities from fiscal years 2019-20 through 2024-25 to analyze the use of the reserves and assess whether the reserves were reasonably funded.
- We reviewed Board meeting minutes and Board resolutions discussing reserves to determine whether reserve transactions were Board-authorized.
- We reviewed annual reserve fund reports and compared them to the Board's policy requirements to determine whether the reports presented contained sufficient information that allowed the Board to make informed decisions.
- We interviewed Board members and officials to obtain explanations for the Board not approving appropriated fund balance and appropriated reserves by resolution, as required by policy, and for annual reserve fund reports not meeting established requirements.
- We reviewed the adopted budget for the 2025-26 fiscal year to determine whether revenue and expenditure estimates appeared 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

# Questions?

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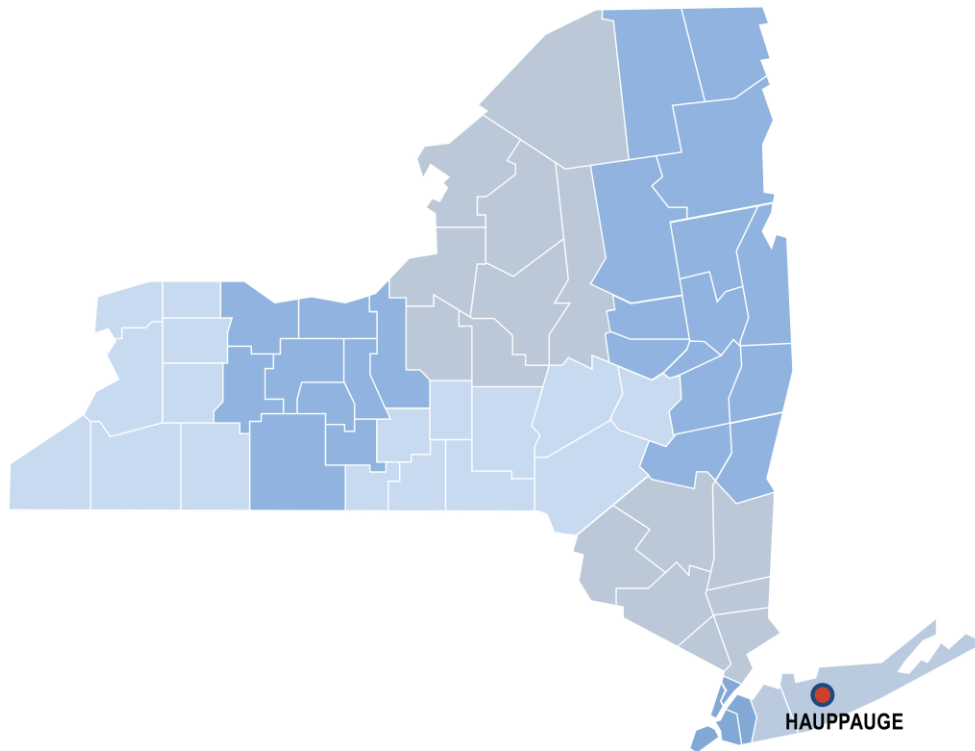
Ira McCracken, Chief of Municipal Audits

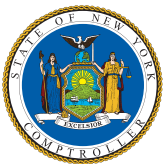
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