



**SHELTER ISLAND  
UNION FREE SCHOOL DISTRICT**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

June 30, 2020

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT  
TABLE OF CONTENTS**

---

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	3
<b>Basic Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
<b>Required Supplementary Information other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	51
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	53
Schedule of District Pension Contributions	54
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	55
<b>Other Supplementary Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	56
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	57
Schedule of Net Investment in Capital Assets	58
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	59
Schedule of Findings and Responses	61
Summary Schedule of Prior Audit Findings	62



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Shelter Island Union Free School District  
Town of Shelter Island, New York:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Shelter Island Union Free School District (the "District") as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Shelter Island Union Free School District, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-14 and 52-56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
October 14, 2020



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Shelter Island Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020 in comparison with the year ended June 30, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

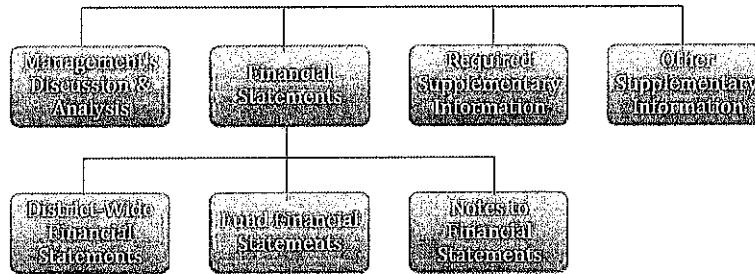
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position (deficit), as reflected in the district-wide financial statements, increased by \$(142,962) or 0.81% to \$(17,890,432). This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$11,967,723. Of this amount, \$310,233 was offset by program charges for services, operating grants and capital grants. General revenues of \$11,514,528 amount to 97.38% of total revenues, and were not adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$389,965 or 14.45% to \$3,089,602. This was due to an excess of revenues over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$799,998. This represents a decrease of 29.63% from the prior year.
- The District's 2020 property tax levy of \$10,551,653 was a 2.02% increase over the 2019 tax levy, which was less than the District's property tax cap (2.32%) and did not require an override vote.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



**A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

---

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, workers' compensation, compensated absences, pension costs, termination benefits, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds: general fund, special aid fund, school food service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position (deficit) increased by \$(142,962) between fiscal year 2020 and 2019. The increase is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 4,344,458	\$ 3,792,566	\$ 551,892	14.55 %
Capital Assets, Net	9,172,402	9,291,427	(119,025)	(1.28)%
Net Pension Asset - Proportionate Share	<u>720,735</u>	<u>499,156</u>	<u>221,579</u>	44.39 %
Total Assets	<u>14,237,595</u>	<u>13,583,149</u>	<u>654,446</u>	4.82 %
<b>Deferred Outflows of Resources</b>	<u>10,188,170</u>	<u>7,329,295</u>	<u>2,858,875</u>	39.01 %
<b>Liabilities</b>				
Current and Other Liabilities	665,666	772,355	(106,689)	(13.81)%
Long-Term Liabilities	4,565,330	4,781,637	(216,307)	(4.52)%
Net Pension Liability - Proportionate Share	928,231	247,063	681,168	275.71 %
Total OPEB obligation	<u>24,551,066</u>	<u>19,785,170</u>	<u>4,765,896</u>	24.09 %
Total Liabilities	<u>30,710,293</u>	<u>25,586,225</u>	<u>5,124,068</u>	20.03 %
<b>Deferred Inflows of Resources</b>	<u>11,605,904</u>	<u>13,073,689</u>	<u>(1,467,785)</u>	(11.23)%
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	5,758,547	5,523,062	235,485	4.26 %
Restricted	1,686,626	774,974	911,652	117.64 %
Unrestricted (Deficit)	<u>(25,335,605)</u>	<u>(24,045,506)</u>	<u>(1,290,099)</u>	5.37 %
Total Net Position (Deficit)	<u>\$ (17,890,432)</u>	<u>\$ (17,747,470)</u>	<u>\$ (142,962)</u>	0.81 %

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

---

The increase in current and other assets is primarily related to increases in cash and amounts due from state and federal.

The decrease in capital assets net, is due to depreciation expense in excess of capital outlays. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset - proportionate share represents the District share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans - New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The decrease in current and other liabilities is primarily the result of decreases in accounts payable and due to teachers' retirement system.

The decrease in long-term liabilities is due to the repayment of the current maturity of indebtedness and the decrease in workers' compensation liabilities, offset by increases in termination benefits and compensated absences payable.

Net pension liability - proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans - New York State", provides additional information.

The total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted net position relates to the District's reserves. This number increased over the prior year due to the authorized transfers into the reserves plus interest earned.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB obligation. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of these statements for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 37,509	\$ 56,857	\$ (19,348)	(34.03)%
Operating Grants	152,286	129,317	22,969	17.76 %
Capital Grants	120,438		120,438	N/A
General Revenues				
Property Taxes and STAR	10,551,653	10,343,596	208,057	2.01 %
State Sources	867,555	599,712	267,843	44.66 %
Other	95,320	76,335	18,985	24.87 %
Total Revenues	<u>11,824,761</u>	<u>11,205,817</u>	<u>618,944</u>	5.52 %
<b>Expenses</b>				
General Support	2,298,651	2,388,560	(89,909)	(3.76)%
Instruction	9,036,221	9,113,481	(77,260)	(0.85)%
Pupil Transportation	335,521	429,933	(94,412)	(21.96)%
Debt Service - Interest	109,283	130,754	(21,471)	(16.42)%
Food Service Program	188,047	188,270	(223)	(0.12)%
Total Expenses	<u>11,967,723</u>	<u>12,250,998</u>	<u>(283,275)</u>	(2.31)%
Change in Net Position (Deficit)	<u>\$ (142,962)</u>	<u>\$ (1,045,181)</u>	<u>\$ 902,219</u>	86.32 %

The District's net position (deficit) increased by \$(142,962) and \$(1,045,181) for the years ended June 30, 2020 and 2019, respectively.

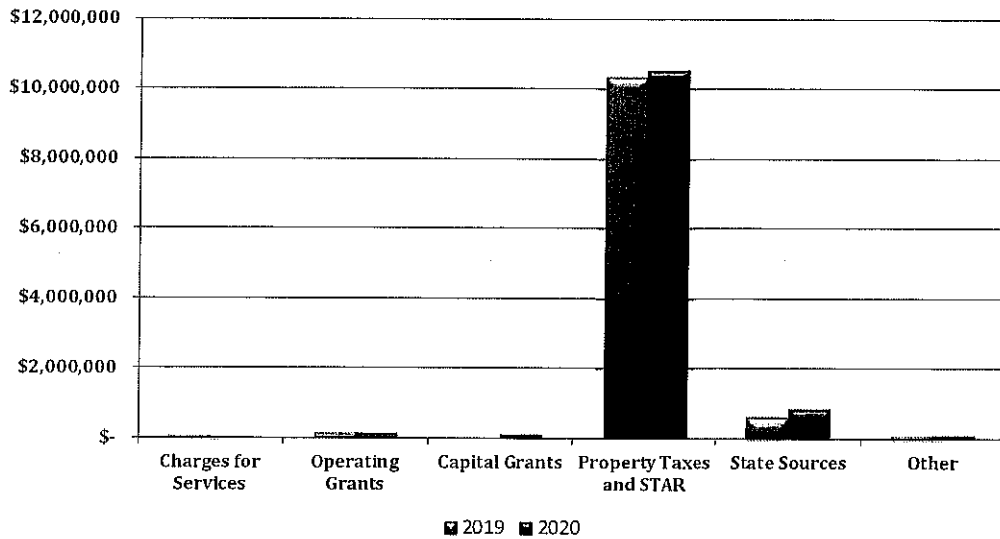
The District's revenues increased by \$618,944 or 5.52%, as compared to 2019. This increase is primarily attributable to increases in capital grants, property taxes and STAR, and state sources. The increase in capital grants is due to the District recognizing amounts related to a grant from DASNY for district-wide improvements. The District did not recognize similar revenues in the prior year. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2019-2020 budget. The increase in state sources is due to the District recognizing aid from DASNY for a capital project completed in prior years that was initially funded by general fund appropriations.

The District's total expenses for the year decreased by \$283,275 or 2.31%. The decrease in expense is primarily due to decreases in general support, instruction and pupil transportation. The primary reason for the decrease in general support and instruction is the impact of the net change in allocated pension and other postemployment benefits costs. Pupil transportation expenses decreased due to a decrease in bus contract expenses as a result of a switch to remote learning in response to the COVID-19 pandemic.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.2% and 92.3% of the total for the years 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 75.5% and 74.4% of the total for the years 2020 and 2019, respectively).

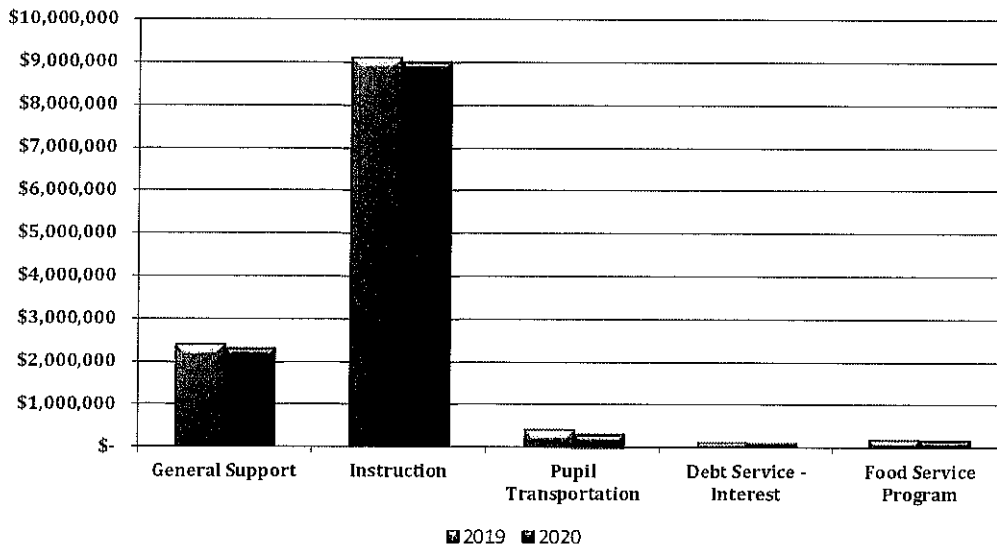
**SHELTER ISLAND UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
<b>2019</b>	0.5%	1.2%	0.0%	92.3%	5.4%	0.6%
<b>2020</b>	0.3%	1.3%	1.0%	89.2%	7.3%	0.9%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
<b>2019</b>	19.5%	74.4%	3.5%	1.1%	1.5%
<b>2020</b>	19.2%	75.5%	2.8%	0.9%	1.6%

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$3,132,662, which is an increase of \$275,435 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
<b>General Fund</b>			
Restricted			
Unemployment insurance	\$ 145,454	\$ 144,981	\$ 473
Retirement contribution:			
Teachers' retirement system	182,832	89,928	92,904
Employees' retirement system	172,628	72,392	100,236
Employee benefit accrued liability	354,820	288,879	65,941
Capital	23,376	178,794	(155,418)
Repairs	646,516		646,516
Assigned:			
Appropriated fund balance	714,978	746,008	(31,030)
Unappropriated fund balance	49,000	41,782	7,218
Unassigned: Fund balance	799,998	1,136,873	(336,875)
	<u>3,089,602</u>	<u>2,699,637</u>	<u>389,965</u>
<b>School Food Service Fund</b>			
Nonspendable: Inventory	<u>2,498</u>	<u>1,812</u>	<u>686</u>
<b>Capital Projects Fund</b>			
Restricted: Capital	161,000		161,000
Assigned: Unappropriated fund balance		155,778	(155,778)
Unassigned fund balance (deficit)	(120,438)		(120,438)
	<u>40,562</u>	<u>155,778</u>	<u>(115,216)</u>
Total Fund Balance	<u>\$ 3,132,662</u>	<u>\$ 2,857,227</u>	<u>\$ 275,435</u>

**A. General Fund**

The net change in the general fund – fund balance was an increase of \$389,965 (compared to an increase of \$41,842 in fiscal 2019), as revenues of \$11,252,104 exceeded expenditures and other financing uses of \$10,862,139.

The District's revenues increased by \$225,876 or 2.05%, as compared to the prior year. This increase is primarily attributable to an increase in property taxes, which is due to an increase in the tax levy in accordance with the 2019-2020 budget.

Expenditures and other financing uses decreased by \$122,247 or 1.11% from the prior year. This decrease is primarily due to decreases in pupil transportation and employee benefits, offset by an increase in operating transfers out. The decrease in pupil transportation is due to a decrease in bus contract expenditures as a result of a switch to remote learning in response to the COVID-19 pandemic. The decrease

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

in employee benefits is primarily due to a decrease in Teachers' Retirement System contributions as a result of a decrease in the contribution rate and a decrease in payments made to retirees for incentives and unused accumulated sick time. In the prior year, the District transferred \$100,000 to the capital projects fund to fund district-wide improvements, whereas, in the current year, the District transferred \$161,000 to fund current capital projects using general fund appropriations.

The following is a summary of the District's general fund restricted fund balance activity:

	Balance @ June 30, 2019	Use of Reserves	Interest	Funding	Balance @ June 30, 2020
Unemployment insurance	\$ 144,981	\$	\$ 473	\$	\$ 145,454
Retirement contribution:					
Teachers'	89,928		293	92,611	182,832
Employees'	72,392		236	100,000	172,628
Employee benefit accrued liability	288,879		941	65,000	354,820
Capital Repairs	178,794	(161,000)	582	5,000	23,376
				646,516	646,516
	<u>\$ 774,974</u>	<u>\$ (161,000)</u>	<u>\$ 2,525</u>	<u>\$ 909,127</u>	<u>\$ 1,525,626</u>

Additional detail regarding capital reserves can be found in Note 18 "Restricted for Capital Reserve."

**B. School Food Service Fund**

The school food service fund - fund balance increased \$686. The fund is dependent on a transfer from the general fund, which in 2020 was \$103,974.

**C. Capital Projects Fund**

The net change in the capital projects fund - fund balance is a decrease of \$115,216, due to expenditures incurred during the year on capital projects of \$276,216 in excess of interfund transfers in of \$161,000.

	Balance @ June 30, 2019	Use of Reserves	Funding	Balance @ June 30, 2020
2006 Capital Reserve	\$ -	\$ -	\$ 161,000	\$ 161,000

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The District's general fund adopted budget for the year ended June 30, 2020 was \$11,934,877. This amount was increased by encumbrances carried forward from the prior year, in the amount of \$41,782 and budget revisions in the amount of \$173,726, for a total final budget of \$12,150,385.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$10,551,653 in estimated property taxes and STAR.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 1,136,873
Revenues Over Budget	50,509
Expenditures and Encumbrances Under Budget	1,239,246
Allocation to Reserves	(911,652)
Appropriated to Fund the June 30, 2021 Budget	<u>(714,978)</u>
Closing, Unassigned Fund Balance	<u>\$ 799,998</u>

Opening, Unassigned Fund Balance

The \$1,136,873 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned fund balance.

Revenues Over Budget

The 2019-2020 final budget for revenues was \$11,201,595. Actual revenues recognized for the year were \$11,252,104. The excess of actual revenues over estimated revenues was \$50,509, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2019-2020 final budget for expenditures was \$12,150,385. Actual expenditures as of June 30, 2020 were \$10,862,139 and outstanding encumbrances were \$49,000. Combined, the expenditures plus encumbrances for 2019-2020 were \$10,911,139. The final budget variance was \$1,239,246, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, provides additional information.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$714,978 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2020 was \$799,998. This is a decrease of \$336,875 from the unassigned fund balance as of June 30, 2019. This unassigned fund balance portion is in excess of the New York State Real Property Tax Law §1318 permissible 4% statutory maximum.

**6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES**

**A. Capital Assets**

At June 30, 2020, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$480,999 in excess of capital asset additions of \$361,974 for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 25,200	\$ 25,200	\$ -
Construction in progress	61,107	34,891	26,216
Buildings and improvements	8,032,293	8,176,596	(144,303)
Site improvements	394,837	430,423	(35,586)
Furniture and equipment	658,965	624,317	34,648
Capital assets, net	<u>\$ 9,172,402</u>	<u>\$ 9,291,427</u>	<u>\$ (119,025)</u>

**B. Debt Administration**

At June 30, 2020, the District had total bonded debt outstanding of \$2,635,000. The bonds were issued to finance various building improvements and the installation of a new generator and related lighting system improvements. The District also had outstanding debt of \$778,855 from an energy performance contract. A summary of outstanding debt at June 30, 2020 and 2019 is as follows:

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
<b>Bonds Payable</b>				
7/26/2012	2.0-2.5%	\$ 1,420,000	\$ 1,610,000	\$ (190,000)
12/1/2015	2.0-3.0%	1,215,000	1,320,000	(105,000)
		<u>\$ 2,635,000</u>	<u>\$ 2,930,000</u>	<u>\$ (295,000)</u>
<b>Energy Performance Contract</b>				
3/21/2016	2.85%	<u>\$ 778,855</u>	<u>\$ 838,365</u>	<u>\$ (59,510)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2020 are approximately 1.00% of the District's debt limit.

**C. Other Long-Term Liabilities**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation, termination benefits, net pension liability-proportionate share obligations and total other postemployment benefits obligations. The compensated absences and termination benefits liabilities are based on employment contracts. The workers' compensation liability, net pension liability-proportionate share and total other postemployment benefits obligation are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences payable	\$ 684,057	\$ 614,600	\$ 69,457
Workers' compensation liabilities	41,284	45,354	(4,070)
Termination benefits	426,134	353,318	72,816
Net pension liability - proportionate share	928,231	247,063	681,168
Total OPEB obligation	<u>24,551,066</u>	<u>19,785,170</u>	<u>4,765,896</u>
	<u>\$ 26,630,772</u>	<u>\$ 21,045,505</u>	<u>\$ 5,585,267</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on June 9, 2020, for the year ending June 30, 2021, is \$12,150,022. This is an increase of \$215,145 or 1.80% over the previous year's adopted budget.

The District budgeted revenues other than property tax at a \$19,868 increase over the prior year's estimate. This increase is principally due to an increase in state aid. The assigned, appropriated fund balance applied to the June 30, 2021 budget in the amount of \$714,978 is a \$31,030 decrease from the previous year. A property tax increase of \$226,307 or 2.14% was needed to meet the revenue shortfall and cover the increase in appropriations.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

---

**B. Future Budgets**

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2020-2021 is 2.14%. The District's 2020-2021 property tax increase of 2.14% was equal to the tax cap and did not require an override vote.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Brian Doelger, Ed.D.  
Superintendent of Schools  
Shelter Island Union Free School District  
33 North Ferry Road  
Box 2015  
Shelter Island, New York 11964



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**

**Statement of Net Position**

June 30, 2020

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 2,882,042
Restricted	782,499
Receivables	
Due from fiduciary funds	8,067
Due from state and federal	496,408
Other assets	172,944
Inventories	2,498
Capital assets:	
Not being depreciated	86,307
Being depreciated, net of accumulated depreciation	9,086,095
Net pension asset - proportionate share	720,735
Total Assets	<u>14,237,595</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	2,911,454
Other postemployment benefits	7,276,716
Total Deferred Outflows of Resources	<u>10,188,170</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	125,751
Accrued liabilities	14,461
Due to other governments	9,933
Due to teachers' retirement system	464,681
Due to employees' retirement system	41,943
Unearned credits	
Collections in advance	8,897
Long-term liabilities	
Due and payable within one year	
Bonds payable	305,000
Energy performance contract payable	61,218
Compensated absences payable	17,000
Workers' compensation liabilities	41,284
Due and payable after one year	
Bonds payable	2,330,000
Energy performance contract payable	717,637
Compensated absences payable	667,057
Termination benefits	426,134
Net pension liability - proportionate share	928,231
Total other postemployment benefits obligation	24,551,066
Total Liabilities	<u>30,710,293</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	1,038,963
Other postemployment benefits	10,566,941
Total Deferred Inflows of Resources	<u>11,605,904</u>
<b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	5,758,547
Restricted	
Unemployment insurance	145,454
Retirement contribution	
Teachers' retirement system	182,832
Employees' retirement system	172,628
Employee benefit accrued liability	354,820
Capital	184,376
Repairs	646,516
	<u>1,686,626</u>
Unrestricted (deficit)	<u>(25,335,605)</u>
Total Net Position (Deficit)	<u>\$ (17,890,432)</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 2,298,651	\$	\$	\$	\$ (2,298,651)
Instruction	9,036,221	600	105,588	120,438	(8,809,595)
Pupil transportation	335,521				(335,521)
Debt service - interest	109,283				(109,283)
Food service program	188,047	36,909	46,698		(104,440)
	<u>\$ 11,967,723</u>	<u>\$ 37,509</u>	<u>\$ 152,286</u>	<u>\$ 120,438</u>	<u>(11,657,490)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					10,452,335
Other real property tax items					101,708
Use of money and property					13,760
Sale of property and compensation for loss					9,641
Miscellaneous					69,529
State sources					867,555
					<u>11,514,528</u>
Total General Revenues					<u>11,514,528</u>
Change in Net Position					(142,962)
Total Net Position (Deficit) - Beginning of Year					<u>(17,747,470)</u>
Total Net Position (Deficit) - End of Year					<u>\$ (17,890,432)</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 2,865,394	\$ 10,899	\$ 5,749	\$	\$ 2,882,042
Restricted	774,512			7,987	782,499
Receivables					
Due from other funds	193,631			161,000	354,631
Due from fiduciary funds	8,067				8,067
Due from state and federal	315,117	55,153	5,700	120,438	496,408
Inventories					
			2,498		2,498
Total Assets	<u>\$ 4,156,721</u>	<u>\$ 66,052</u>	<u>\$ 13,947</u>	<u>\$ 289,425</u>	<u>\$ 4,526,145</u>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 123,211	\$ 2,495	\$ 45	\$	\$ 125,751
Accrued liabilities	4,185				4,185
Due to other funds	161,000	57,455	7,751	128,425	354,631
Due to other governments	4,349	5,550	34		9,933
Due to teachers' retirement system	464,681				464,681
Due to employees' retirement system	41,943				41,943
Unearned credits					
Collections in advance	4,726	552	3,619		8,897
Total Liabilities	<u>804,095</u>	<u>66,052</u>	<u>11,449</u>	<u>128,425</u>	<u>1,010,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	<u>263,024</u>			<u>120,438</u>	<u>383,462</u>
<b>FUND BALANCES</b>					
Nonspendable: Inventories					
			2,498		2,498
Restricted:					
Unemployment insurance	145,454				145,454
Retirement contribution:					
Teachers' retirement system	182,832				182,832
Employees' retirement system	172,628				172,628
Employee benefit accrued liability	354,820				354,820
Capital	23,376			161,000	184,376
Repairs	646,516				646,516
Assigned:					
Appropriated fund balance	714,978				714,978
Unappropriated fund balance	49,000				49,000
Unassigned: Fund balance (deficit)	799,998			(120,438)	679,560
Total Fund Balances	<u>3,089,602</u>	<u>-</u>	<u>2,498</u>	<u>40,562</u>	<u>3,132,662</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,156,721</u>	<u>\$ 66,052</u>	<u>\$ 13,947</u>	<u>\$ 289,425</u>	<u>\$ 4,526,145</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2020

Total Governmental Fund Balances \$ 3,132,662

Amounts reported for governmental activities in the Statement of Net Position are different because:

Cash held by third-party administrator is treated as a long-term asset and included in net position. 172,944

The costs of building and acquiring capital assets (land, construction in progress, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 16,447,049	
Less: Accumulated depreciation	<u>(7,274,647)</u>	9,172,402

Proportionate share of long-term asset and liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	720,735	
Deferred outflows of resources	2,911,454	
Net pension liability - employees' retirement system	(928,231)	
Deferred inflows of resources	<u>(1,038,963)</u>	1,664,995

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	7,276,716	
Total other postemployment benefits obligation	(24,551,066)	
Deferred inflows of resources	<u>(10,566,941)</u>	(27,841,291)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

383,462

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(10,276)	
Bonds payable	(2,635,000)	
Energy performance contract payable	(778,855)	
Compensated absences payable	(684,057)	
Workers' compensation liabilities	(41,284)	
Termination benefits	<u>(426,134)</u>	(4,575,606)

Total Net Position (Deficit)		<u>\$ (17,890,432)</u>
------------------------------	--	------------------------

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 10,452,335	\$	\$	\$	\$ 10,452,335
Other real property tax items	101,708				101,708
Charges for services	600				600
Use of money and property	13,760				13,760
Sale of property and compensation for loss	9,641				9,641
Miscellaneous	69,529				69,529
State sources	604,531	14,739	1,454		620,724
Federal sources		90,849	45,244		136,093
Sales			37,479		37,479
<b>Total Revenues</b>	<b>11,252,104</b>	<b>105,588</b>	<b>84,177</b>	<b>-</b>	<b>11,441,869</b>
<b>EXPENDITURES</b>					
General support	1,630,605				1,630,605
Instruction	5,350,464	96,579			5,447,043
Pupil transportation	322,827	12,694			335,521
Employee benefits	2,824,962		52,949		2,877,911
Debt service					
Principal	354,510				354,510
Interest	110,112				110,112
Food service program			134,516		134,516
Capital outlay				276,216	276,216
<b>Total Expenditures</b>	<b>10,593,480</b>	<b>109,273</b>	<b>187,465</b>	<b>276,216</b>	<b>11,166,434</b>
Excess of Revenues Over (Under) Expenditures	658,624	(3,685)	(103,288)	(276,216)	275,435
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers in		3,685	103,974	161,000	268,659
Operating transfers (out)	(268,659)				(268,659)
<b>Total Other Financing Sources and (Uses)</b>	<b>(268,659)</b>	<b>3,685</b>	<b>103,974</b>	<b>161,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>389,965</b>	<b>-</b>	<b>686</b>	<b>(115,216)</b>	<b>275,435</b>
Fund Balances - Beginning of Year	2,699,637		1,812	155,778	2,857,227
<b>End of Year</b>	<b>\$ 3,089,602</b>	<b>\$ -</b>	<b>\$ 2,498</b>	<b>\$ 40,562</b>	<b>\$ 3,132,662</b>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2020

Net Change in Fund Balances \$ 275,435

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by third-party administrator decreased in the period.

\$ (575)

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

382,892

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable

(69,457)

Increase in termination benefits

(72,816)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liabilities

4,070

244,114

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation expense exceeded capital outlays in the period.

Capital outlays and other additions

361,974

Depreciation expense

(480,999)

(119,025)

Long-Term Debt Transactions Differences

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal

295,000

Repayment of energy performance contract

59,510

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2019 to June 30, 2020.

829

355,339

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system

(476,409)

Employees' retirement system

(164,854)

Other postemployment benefits

(257,562)

(898,825)

Change in Net Position of Governmental Activities

\$ (142,962)

See Notes to Financial Statements

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2020

	Agency	Private Purpose Trust
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 69,422	\$
Restricted		10,795
Total Assets	\$ 69,422	10,795
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 47,327	
Due to governmental funds	8,067	
Other liabilities	14,028	
Total Liabilities	\$ 69,422	-
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 10,795

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2020

	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions	\$ 7,450
Investment earnings - interest	12
Total Additions	7,462
 <b>DEDUCTIONS</b>	
Scholarships and awards	19,750
Change in Net Position	(12,288)
Net Position - Beginning of Year	23,083
Net Position - End of Year	\$ 10,795



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Shelter Island Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

**A. Reporting Entity**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

**Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

**Governmental Funds** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Aid Fund** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

**School Food Service Fund** - is used to account for the activities of the food service program.

**Capital Projects Fund** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

**Fiduciary Funds** - are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**Agency Funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

**D. Measurement Focus and Basis of Accounting**

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, workers' compensation, compensated absences, termination benefits, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town of Shelter Island and remitted to the District from December to June.

The District also levies the real property taxes for the Shelter Island Public Library (Library), which are collected by the town and included in the amount remitted to the District. The District remits the Library's share of the tax levy to the Library in two installments. These pass-through amounts are not included in the District's real property tax revenues.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

**F. Payments in Lieu of Taxes (PILOT)**

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District's other tax items revenues.

**G. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

**H. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds Balance Sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, termination benefits, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of capital assets.

**J. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

**K. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**L. Inventories**

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method, whereby a current asset for the inventories is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

**M. Other Assets**

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

**N. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 10,000	50 years
Site improvements	10,000	50 years
Furniture and equipment	500	5-20 years

**O. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in total other postemployment benefits obligation not included in OPEB expense.

**P. Short-Term Debt**

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within seven years after the original issue date. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

**Q. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**R. Termination Benefits**

Termination benefits consists of retirement incentives as specified in collective bargaining agreements. Upon retirement, resignation or death, employees may contractually receive a payment based on this retirement incentive. The liability is calculated in accordance with GASB Statement No. 47 *Accounting for Termination Benefits*. In the fund financial statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available resources.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**S. Employee Benefits – Compensated Absences**

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**T. Other Benefits**

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State and Local Employees' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure, in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

**U. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. The first item is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the district-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB and represents the change in total other postemployment benefits obligation not included in OPEB expense.

**V. Equity Classifications**

District-Wide Statements

In the district-wide statements there are three classes of net position:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories, which is recorded in the school food service fund.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

*Unemployment Insurance Reserve*

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.

*Capital Reserve*

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the general fund and the capital projects fund.

*Repairs Reserve*

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

*Restricted for Scholarships*

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net awards. These restricted funds are accounted for in the private purpose trust fund.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

**2. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental funds Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

**B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities**

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for medical insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to future cost of benefits in retirement over the term of employment.

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Instructional materials funded by donations	\$ 12,726
Science classroom labs funded by capital reserve	<u>161,000</u>
	<u>\$ 173,726</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**C. Unassigned Fund Balance**

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and the capital needs of the District.

**D. Capital Projects Fund**

The District's capital fund unassigned fund balance had a deficit of \$120,438. The deficit will be funded when the District recognizes revenue from a grant through DASNY.

**5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

**Investment pool:**

The District participates in the Cooperative Liquid Assets Securities System - New York (NYCLASS) a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with general municipal law sections 10 and 11.

Total investments of the cooperative at June 30, 2020 are \$3,367,388,471, which consisted of \$218,847,408 in repurchase agreements, \$2,065,434,436 in U.S. Treasury Securities, and \$1,083,106,627 in collateralized bank deposits, with various interest rates and due dates.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The amount of \$3,330 is included as cash in the general fund.

The above amount represents the fair value of the investment pool shares. The lead participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2020, the District was billed \$224,312 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$37,427. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2020 consisted of:

General Fund	
New York State - excess cost aid	\$ 18,333
DASNY grant	250,000
BOCES aid	46,784
	<u>315,117</u>
Special Aid Fund	
Federal and state grants	55,153
School Food Service Fund	
Federal and state food service program reimbursements	5,700
Capital Projects Fund	
DASNY grant	120,438
	<u>\$ 496,408</u>

District management expects these amounts to be fully collectible.

**8. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 201,698	\$ 161,000	\$	\$ 268,659
Special Aid Fund		57,455	3,685	
School Food Service Fund		7,751	103,974	
Capital Projects Fund	161,000	128,425	161,000	
Total Governmental Funds	<u>362,698</u>	<u>354,631</u>	<u>\$ 268,659</u>	<u>\$ 268,659</u>
Fiduciary Funds		8,067		
Total	<u>\$ 362,698</u>	<u>\$ 362,698</u>		

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The District typically transfers from the general fund to the special aid fund in accordance with the general fund budget. The transfer is to provide the District's 20% share of the summer program for students with disabilities. The District transferred from the general fund to the school lunch fund to subsidize the lunch program. The transfer to the capital projects fund was a voter approved use of the capital reserve and was a general fund budget revision.

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 25,200	\$	\$	\$ 25,200
Construction in progress	34,891	276,216	(250,000)	61,107
Total capital assets not being depreciated	60,091	276,216	(250,000)	86,307
Capital assets being depreciated:				
Buildings and improvements	13,884,886	190,671		14,075,557
Site improvements	764,344			764,344
Furniture and equipment	1,395,655	145,087	(19,901)	1,520,841
Total capital assets being depreciated	16,044,885	335,758	(19,901)	16,360,742
Less accumulated depreciation for:				
Buildings and improvements	5,708,290	334,974		6,043,264
Site improvements	333,921	35,586		369,507
Furniture and equipment	771,338	110,439	(19,901)	861,876
Total accumulated depreciation	6,813,549	480,999	(19,901)	7,274,647
Total capital assets, being depreciated, net	9,231,336	(145,241)	-	9,086,095
Capital assets, net	\$ 9,291,427	\$ 130,975	\$ (250,000)	\$ 9,172,402

Depreciation expense was charged to governmental functions as follows:

General support	\$ 84,803
Instruction	395,614
Food service program	582
Total depreciation expense	\$ 480,999

**10. SHORT-TERM DEBT**

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2019	Issued	Redeemed	Balance June 30, 2020
TAN	6/25/2020	3.00%	\$	\$ 1,500,000	\$ (1,500,000)	\$

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Interest on short-term debt for the year was \$19,583. The District received a premium of \$5,627, which was included in miscellaneous revenue in the general fund. The effective interest rate was 1.43%.

**11. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pensions and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 2,930,000	\$	\$ (295,000)	\$ 2,635,000	\$ 305,000
Energy performance contract	838,365		(59,510)	778,855	61,218
Other long-term liabilities:					
Compensated absences	614,600	69,457		684,057	17,000
Workers' compensation	45,354	4,365	(8,435)	41,284	41,284
Termination benefits	353,318	72,816		426,134	
	<u>\$ 4,781,637</u>	<u>\$ 146,638</u>	<u>\$ (362,945)</u>	<u>\$ 4,565,330</u>	<u>\$ 424,502</u>

The general fund has typically been used to liquidate other long-term liabilities.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
2012 Serial Bonds				
- Construction	7/26/2012	6/15/2029	2.0-2.5%	\$ 1,420,000
2015 Serial Bonds				
- Building improvements	12/1/2015	6/1/2030	2.0-3.0%	<u>1,215,000</u>
				<u>\$ 2,635,000</u>

The following is a summary of debt service requirements for bonds payable:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 305,000	\$ 61,157	\$ 366,157
2022	310,000	55,056	365,056
2023	250,000	48,856	298,856
2024	255,000	43,856	298,856
2025	265,000	38,582	303,582
2026 - 2030	1,250,000	94,688	1,344,688
Total	<u>\$ 2,635,000</u>	<u>\$ 342,195</u>	<u>\$ 2,977,195</u>



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**C. Energy Performance Contract**

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Energy performance contract	3/21/2016	3/15/2031	2.85%	<u>\$ 778,855</u>

The following is a summary of debt service requirements for energy performance contract payable:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 61,218	\$ 21,764	\$ 82,982
2022	62,975	20,007	82,982
2023	64,782	18,200	82,982
2024	66,642	16,340	82,982
2025	68,554	14,427	82,981
2026 - 2030	373,443	41,466	414,909
2031	81,241	1,741	82,982
Total	<u>\$ 778,855</u>	<u>\$ 133,945</u>	<u>\$ 912,800</u>

**D. Interest Expense**

Interest on long-term debt for the year was composed of:

Interest paid	\$ 90,529
Less interest accrued in the prior year	(11,105)
Plus interest accrued in the current year	<u>10,276</u>
Total interest expense on long-term debt	<u>\$ 89,700</u>

**12. PENSION PLANS - NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers,

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 13.75% of covered payroll for the ERS, fiscal year ended March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020, was \$412,537 for TRS at the contribution rate of 8.86% and \$130,610 for ERS at an average contribution rate of 12.19%.

**D. Pension Assets/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

30, 2019, for TRS and March 31, 2020 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 720,735	\$ (928,231)
District's portion of the Plan's total net pension asset/(liability)	0.027742%	0.0035053%
Change in proportion since the prior measurement date	0.000138	0.0000183

For the year ended June 30, 2020, the District recognized pension expense of \$889,500 for TRS and \$307,704 for ERS. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 488,423	\$ 54,630	\$ 53,595	\$
Changes of assumptions	1,361,565	18,690	331,988	16,139
Net difference between projected and actual earnings on pension plan investments		475,856	577,992	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	44,547	13,263	45,789	13,460
District contributions subsequent to the measurement date	412,537	41,943		
Total	<u>\$ 2,307,072</u>	<u>\$ 604,382</u>	<u>\$ 1,009,364</u>	<u>\$ 29,599</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2021	\$324,258	\$86,434
2022	18,877	135,233
2023	323,076	171,717
2024	217,525	139,456
2025	26,323	
Thereafter	<u>(24,888)</u>	
	<u>\$ 885,171</u>	<u>\$ 532,840</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of Living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for the TRS and 6.80% for the ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for the TRS and 6.80% for the ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

TRS	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
District's proportionate share of the net pension asset/(liability)	\$ (3,253,321)	\$ 720,735	\$ 4,054,518
ERS	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
District's proportionate share of the net pension asset/(liability)	\$ (1,703,566)	\$ (928,231)	\$ (214,144)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension asset/(liability) of the employers as of the respective measurement dates, were as follows:

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ (119,879,474)	\$ (194,596,261)
Plan fiduciary net position	122,477,481	168,115,682
Employers' net pension asset/(liability)	\$ 2,598,007	\$ (26,480,579)
Ratio of plan fiduciary net position to the employers' total pension liability	102.17%	86.39%

**Payables to the Pension Plan**

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2020 amounted to \$412,537 of employer contributions and \$52,144 of employee contributions.

For the ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$41,943 of employer contributions. Employee contributions are remitted monthly.

**13. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments and supplemental payments based on collectively bargained agreements. The District made no contributions into this plan. Contributions made by the employees for the year ended June 30, 2020 totaled \$143,097.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2020 totaled \$62,700.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided* – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	54
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	60
	114

**B. Total OPEB Liability**

The District's total OPEB liability of \$24,551,066 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%	
Discount rate	2.21%	
Healthcare cost trend rates	6.10%	for 2020, decreasing 0.5% per year to an ultimate rate of 4.1% over 57 years
Retirees' share of benefit-related costs	0% to 100%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on RP-2014 adjusted to 2006 total dataset mortality table, as appropriate, with adjustments for mortality improvements based on scale MP-2016, as appropriate, with adjustments for mortality improvements projected to date of decrement using Scale MP-2016 (generational mortality).

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial study is not applicable.

**C. Changes in the Total OPEB Liability**

Balance at June 30, 2019	\$ 19,785,170
Changes for the year	
Service cost	792,587
Interest on total OPEB liability	708,601
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	3,934,552
Benefit payments	(669,844)
Net Change in OPEB Liability	4,765,896
Balance at June 30, 2020	\$ 24,551,066

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
OPEB	1.21%	2.21%	3.21%
Total OPEB liability	\$ (29,188,627)	\$ (24,551,066)	\$ (20,872,747)

*Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10 to 3.10%) or 1 percentage point higher (7.10 to 5.10%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
OPEB	5.10%	6.10%	7.10%
	decreasing to	decreasing to	decreasing to
OPEB	3.10%	4.10%	5.10%
Total OPEB liability	\$ (20,590,073)	\$ (24,551,066)	\$ (29,844,530)



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year June 30, 2020, the District recognized OPEB expense of \$927,406. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 3,866,771	\$ 25,544
Changes of assumptions or other inputs	3,409,945	10,541,397
Total	\$ 7,276,716	\$ 10,566,941

Amounts reported deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (573,782)
2022	(573,782)
2023	(573,782)
2024	(573,782)
2025	(573,782)
Thereafter	(421,315)
	\$ (3,290,225)

**15. DEFERRED INFLOWS OF RESOURCES**

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2020, consists of DASNY grant and that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State, in response to revenue losses. Unavailable revenues, in the general fund at June 30, 2020, total \$263,024.

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2020, is the amount due from DASNY for district-wide improvements. Unavailable revenues, in the capital projects fund at June 30, 2020, total \$120,438.

**16. RISK MANAGEMENT**

**A. General Information**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves, public entity risk pools, and commercial insurance purchased from

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

**B. Public Entity Risk Pool – Risk Retained**

The District participates in a risk pool, the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to evaluate, process, administer, and pay workers' compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers' compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the District's loss experience. The EEWCC established a non-discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2020, as processed by the EEWCC, is \$41,284. Claims activity is summarized as follows:

	2019	2020
Claims at beginning of year	\$ 41,254	\$ 45,354
Incurred claims and claim adjustment expenses	12,848	4,365
Claims payments and expenses	(8,748)	(8,435)
Claims liabilities at end of year	\$ 45,354	\$ 41,284

The EEWCC is holding \$172,944 of cash on account for the District to satisfy these liabilities at June 30, 2020.

The EEWCC has issued financial statements for the year ended June 30, 2020. Copies of these statements can be obtained from the District's Business Office.

**C. Public Entity Risk Pool – Risk Sharing**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

**17. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$714,978 has been appropriated to reduce taxes for the year ending June 30, 2021.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**18. RESTRICTED FOR CAPITAL RESERVE**

The following is a summary of the District's restricted capital reserve activity since inception:

	Capital Reserve	
	2006	F.I.T.
Date Created	May 2006	May 2011
Number of Years to Fund	5	20
Maximum Funding	<u>\$ 2,000,000</u>	<u>\$ 10,000,000</u>
<b>General Fund</b>		
Funding Provided Since Inception	\$ 1,767,000	\$ 22,338
Interest Earnings Since Inception	149,974	233
Use of Reserve Since Inception	<u>(1,916,169)</u>	<u>                    </u>
Balance as of June 30, 2020	<u>805</u>	<u>22,571</u>
<b>Capital Projects Fund</b>		
Funding Provided Since Inception	161,000	
Use of Reserve Since Inception	<u>                    </u>	<u>                    </u>
Balance as of June 30, 2020	<u>161,000</u>	<u>-</u>
	<u>\$ 161,805</u>	<u>\$ 22,571</u>

**19. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 46,185
Instruction	<u>2,815</u>
	<u>\$ 49,000</u>

**B. Grants**

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's management believes disallowances, if any, would be immaterial.

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**20. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**A. Issuance of TANs**

On October 15, 2020, the District issued tax anticipation notes in the amount of \$1,500,000, which are due June 25, 2021 and bear interest at stated rates ranging from 2.00%. The District received premiums of \$14,784 with the borrowing to yield an effective interest rate of 0.58%.

**B. Impact of COVID-19**

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization and continues to have an impact on District operations. COVID-19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the state, all of which are uncertain and cannot be predicted.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 10,551,653	\$ 10,452,335	\$ 10,452,335	\$ -
Other real property tax items		99,318	101,708	2,390
Charges for services			600	600
Use of money and property			13,760	13,760
Sale of property and compensation for loss			9,641	9,641
Miscellaneous		12,726	69,529	56,803
<b>Total Local Sources</b>	<b>10,551,653</b>	<b>10,564,379</b>	<b>10,647,573</b>	<b>83,194</b>
State Sources	637,216	637,216	604,531	(32,685)
<b>Total Revenues</b>	<b>11,188,869</b>	<b>11,201,595</b>	<b>11,252,104</b>	<b>\$ 50,509</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	746,008	746,008		
Prior Year's Encumbrances	41,782	41,782		
Appropriated Reserves		161,000		
<b>Total Appropriated Fund Balance</b>	<b>787,790</b>	<b>948,790</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 11,976,659</b>	<b>\$ 12,150,385</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 109,544	\$ 111,983	\$ 104,465	\$ 677	\$ 6,841
Central administration	197,174	215,481	199,517	57	15,907
Finance	439,998	427,787	355,540	36,276	35,971
Staff	63,506	61,791	49,984		11,807
Central services	941,400	964,329	764,903	9,175	190,251
Special items	165,055	161,863	156,196		5,667
<b>Total General Support</b>	<b>1,916,677</b>	<b>1,943,234</b>	<b>1,630,605</b>	<b>46,185</b>	<b>266,444</b>
Instruction					
Administration and improvement	331,133	339,150	322,476	793	15,881
Teaching - regular school	3,224,124	3,258,712	3,114,142	113	144,457
Programs for students with disabilities	1,075,090	1,100,756	927,051		173,705
Occupational education	27,694	42,476	38,693		3,783
Teaching - special schools	21,111	20,611	160		20,451
Instructional media	287,569	287,724	283,688		4,036
Pupil services	762,212	708,989	664,254	1,909	42,826
<b>Total Instruction</b>	<b>5,728,933</b>	<b>5,758,418</b>	<b>5,350,464</b>	<b>2,815</b>	<b>405,139</b>
Pupil Transportation	496,398	457,882	322,827		135,055
Employee Benefits	3,252,651	3,247,851	2,824,962		422,889
Debt Service					
Principal	354,510	354,510	354,510		-
Interest	125,531	125,531	110,112		15,419
<b>Total Debt Service</b>	<b>480,041</b>	<b>480,041</b>	<b>464,622</b>	<b>-</b>	<b>15,419</b>
<b>Total Expenditures</b>	<b>11,874,700</b>	<b>11,887,426</b>	<b>10,593,480</b>	<b>49,000</b>	<b>1,244,946</b>
<b>OTHER USES</b>					
Operating Transfers Out	101,959	262,959	268,659		(5,700)
<b>Total Expenditures and Other Uses</b>	<b>\$ 11,976,659</b>	<b>\$ 12,150,385</b>	<b>10,862,139</b>	<b>\$ 49,000</b>	<b>\$ 1,239,246</b>
Net Change in Fund Balance			389,965		
Fund Balance - Beginning of Year			2,699,637		
Fund Balance - End of Year			<b>\$ 3,089,602</b>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**  
 Last Six Fiscal Years

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.027742%	0.027604%	0.027961%	0.028609%	0.028252%	0.026905%
District's proportionate share of the net pension asset/(liability)	\$ 720,735	\$ 499,156	\$ 212,528	\$ (306,412)	\$ 2,934,447	\$ 2,997,094
District's covered payroll	\$ 4,630,562	\$ 4,484,643	\$ 4,596,387	\$ 4,696,482	\$ 4,607,840	\$ 4,189,349
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.56 %	11.13 %	4.62 %	6.52 %	63.68 %	71.54 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0035053%	0.0034870%	0.0036689%	0.0339150%	0.0037650%	0.0038356%
District's proportionate share of the net pension liability	\$ (928,231)	\$ (247,063)	\$ (118,410)	\$ (318,676)	\$ (604,297)	\$ (129,575)
District's covered payroll	\$ 1,038,323	\$ 1,021,004	\$ 985,531	\$ 983,404	\$ 915,415	\$ 955,099
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.40 %	24.20 %	12.01 %	32.41 %	66.01 %	13.57 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

*An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.*

\*The amounts presented for each fiscal year were determined as of the measurement date of the respective plans.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
 Last Ten Fiscal Years

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 412,537	\$ 491,766	\$ 439,495	\$ 519,292	\$ 578,850	\$ 742,237	\$ 628,160	\$ 453,655	\$ 424,613	\$ 453,158
Contributions in relation to the contractually required contribution	412,537	491,766	439,495	519,292	578,850	742,237	628,160	453,655	424,613	453,158
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,656,170	\$ 4,630,562	\$ 4,484,643	\$ 4,596,387	\$ 4,696,482	\$ 4,607,840	\$ 4,189,349	\$ 3,658,507	~ Information Not Available ~	
Contributions as a percentage of covered payroll	9%	11%	10%	11%	12%	16%	15%	12%		

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 130,610	\$ 127,146	\$ 127,277	\$ 123,632	\$ 127,108	\$ 147,146	\$ 161,815	\$ 142,102	\$ 150,033	\$ 119,678
Contributions in relation to the contractually required contribution	130,610	127,146	127,277	123,632	127,108	147,146	161,815	142,102	150,033	119,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,071,500	\$ 1,038,322	\$ 1,044,616	\$ 985,529	\$ 933,859	\$ 940,335	\$ 1,052,416	\$ 1,045,115	~ Information Not Available ~	
Contributions as a percentage of covered payroll	12%	12%	12%	13%	14%	16%	15%	14%		

See Paragraph on Required Supplementary Information Included in Auditors' Report



**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 11,934,877
Additions:		
Prior year's encumbrances		41,782
Original Budget		11,976,659
Budget revisions		173,726
Final Budget		\$ 12,150,385

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter-approved expenditure budget		\$ 12,150,022
Maximum allowed (4% of 2020-2021 budget)		\$ 486,001

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:

Unrestricted fund balance:			
Assigned fund balance	\$ 763,978		
Unassigned fund balance	799,998		
		\$ 1,563,976	
Less:			
Appropriated fund balance	714,978		
Encumbrances	49,000		
Total adjustments		763,978	
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 799,998	
Actual Percentage			6.58%

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
Last Three Fiscal Years

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 792,587	\$ 1,338,440	\$ 1,017,251
Interest	708,601	819,311	778,082
Changes in benefit terms	-	849,174	-
Differences between expected and actual experience	-	5,134,565	(38,108)
Changes of assumptions or other inputs	3,934,552	(13,997,593)	-
Benefit payments	(669,844)	(656,453)	(751,028)
Net change in total OPEB liability	4,765,896	(6,512,556)	1,006,197
Total OPEB liability, beginning	19,785,170	26,297,726	25,291,529
Total OPEB liability, ending	<u>\$ 24,551,066</u>	<u>\$ 19,785,170</u>	<u>\$ 26,297,726</u>
Covered employee payroll	\$ 5,067,979	\$ 5,067,979	\$ 5,787,125
Total OPEB liability as a percentage of covered employee payroll	484.44%	390.40%	454.42%
Discount rate	2.21%	3.50%	3.00%
Healthcare trend rates	6.1 to 4.1% over 57 years	6.1 to 4.1% over 57 years	7.5 to 4.5% over 7 years

*An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.*

**Note to Required Supplementary Information**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For The Year Ended June 30, 2020

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2020
	June 30, 2019	June 30, 2020	Prior Years	Current Year	Total			State Aid	Local Sources	Total	
District-wide improvements	\$ 250,000	\$ 250,000	\$ 94,222	\$ 155,778	\$ 250,000	\$ -	\$	\$ 250,000	\$ 250,000	\$ -	
District-wide improvements 2020		250,000		120,438	120,438	129,562		250,000	250,000	129,562	
<i>Capital reserve 2006</i>											
Science classroom labs		161,000			-	161,000			161,000	161,000	
Totals	<u>\$ 250,000</u>	<u>\$ 661,000</u>	<u>\$ 94,222</u>	<u>\$ 276,216</u>	<u>\$ 370,438</u>	<u>\$ 290,562</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 411,000</u>	<u>\$ 661,000</u>	
											Less: grant aid not yet recognized
											(250,000)
											<u>\$ 40,562</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2020

Capital assets, net	<u>\$ 9,172,402</u>
Deduct:	
Short-term portion of bonds payable	305,000
Long-term portion of bonds payable	2,330,000
Short-term portion of energy performance contract payable	61,218
Long-term portion of energy performance contract payable	<u>717,637</u>
	<u>3,413,855</u>
Net Investment in Capital Assets	<u>\$ 5,758,547</u>



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Shelter Island Union Free School District  
Town of Shelter Island, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Shelter Island Union Free School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

# NawrockiSmith

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 20-01 and 20-02.

## ***District's Responses to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York  
October 14, 2020

*Nawrocki Smith LLP*