

TENTATIVE DRAFT



**SHELTER ISLAND
UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2024

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
TENTATIVE DRAFT
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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Shelter Island Union Free School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Shelter Island Union Free School District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-17 and 55-59, 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.

Supplementary 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 accompanying other supplementary information and schedule of expenditures of federal awards, as required by the New York State Education Department and by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 other supplementary information and the schedule of expenditures of federal awards are 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 11, 2024, 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 solely 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 the effectiveness of the District's 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.

Hauppauge, New York
October 11, 2024

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, 2024 in comparison with the year ended June 30, 2023, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, and required supplementary information, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2024 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$340,188 or 2.01% to \$17,278,765. 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 \$12,878,274. Of this amount, \$264,704 was offset by program charges for services, and operating grants and contributions. General revenues of \$12,273,382 amount to 97.89% of total revenues, and were not adequate to cover the balance of program expenses.
- The District's general-fund fund balance, as reflected in the fund financial statements was \$2,639,250 at June 30, 2024. This balance represents a \$87,556 (3.43%) increase over the prior year, 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, as follows:
 - Restricted fund balances increased by \$144,039 mainly due to the interest and funding of the reserves, offset by the use of the repair reserve to fund softball field repairs and the installation of new gym doors.
 - Assigned fund balance increased \$7,060 due to an increase in outstanding encumbrances, offset by a decrease in the amount of fund balance appropriated to fund the 2025 budget.
 - Unassigned fund balance decreased by \$63,543 to \$523,992.
- The District's 2024 property tax levy of \$11,236,630 was a 2.00% increase over the 2023 tax levy and was less than the property tax cap of 2.06%.

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 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:

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



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.

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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other capital assets.

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 flows 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 fund.

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

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, workers' compensation, compensated absences, pension costs, termination benefits, and other postemployment benefits (OPEB), 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 Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to those governments, and utilizes 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 \$340,188 between fiscal year 2023 and 2024. The deficit 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:

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

	2024	2023	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 3,762,383	\$ 4,863,520	\$ (1,101,137)	(22.64)%
Capital Assets, Net	9,004,905	8,808,767	196,138	2.23 %
Total Assets	<u>12,767,288</u>	<u>13,672,287</u>	<u>(904,999)</u>	(6.62)%
Deferred Outflows of Resources	<u>7,664,140</u>	<u>10,156,822</u>	<u>(2,492,682)</u>	(24.54)%
Liabilities				
Current and Other Liabilities	876,530	1,414,373	(537,843)	(38.03)%
Long-Term Liabilities	3,284,902	3,589,036	(304,134)	(8.47)%
Total OPEB Liability	23,025,200	22,922,950	102,250	0.45 %
Net Pension Liabilities - Proportionate Share	<u>814,534</u>	<u>1,344,109</u>	<u>(529,575)</u>	(39.40)%
Total Liabilities	<u>28,001,166</u>	<u>29,270,468</u>	<u>(1,269,302)</u>	(4.34)%
Deferred Inflows of Resources	<u>9,709,027</u>	<u>11,497,218</u>	<u>(1,788,191)</u>	(15.55)%
Net Position (Deficit)				
Net Investment in Capital Assets	6,948,812	5,885,068	1,063,744	18.08 %
Restricted	1,456,691	1,967,607	(510,916)	(25.97)%
Unrestricted (Deficit)	<u>(25,684,268)</u>	<u>(24,791,252)</u>	<u>(893,016)</u>	3.60 %
Total Net Position (Deficit)	<u>\$ (17,278,765)</u>	<u>\$ (16,938,577)</u>	<u>\$ (340,188)</u>	2.01 %

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

The increase in capital assets, net is primarily due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" 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 mainly due to decreases in accounts payable, amounts due to TRS, and compensated absences payable, offset by an increase in accrued liabilities.

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

Total OPEB liability increased based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

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

Net pension liabilities – proportionate share represents the District’s share of the New York State Teachers’ Retirement System’s (TRS) and the New York State and Local Employees’ Retirement System’s (ERS) collective net pension liabilities at the measurement date of the respective year. The decrease in net pension liabilities is primarily due to the net change in the market value of both the TRS’ and ERS’ pension plan assets being in excess of the net change in each plan’s total pension liabilities at their current year measurement dates. The accompanying Notes to Financial Statements, Note 13 “Pension Plans – New York State,” 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 Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted net position relates to the District’s reserves, which decreased from the prior year, due to the use of reserves, offset by interest earned on reserves.

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 liability. 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 liability.

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements, school tax relief (STAR) 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, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 15,959	\$ 43,788	\$ (27,829)	(63.55)%
Operating Grants & Contributions	248,745	240,810	7,935	3.30 %
General Revenues				
Property Taxes & STAR	11,236,627	10,948,887	287,740	2.63 %
State Sources	647,680	659,030	(11,350)	(1.72)%
Other	389,075	250,477	138,598	55.33 %
Total Revenues	<u>12,538,086</u>	<u>12,142,992</u>	<u>395,094</u>	3.25 %

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

	2024	2023	Increase (Decrease)	Percentage Change
Expenses				
General Support	\$ 2,739,426	\$ 2,584,251	\$ 155,175	6.00 %
Instruction	9,392,965	9,097,557	295,408	3.25 %
Pupil Transportation	446,656	491,587	(44,931)	(9.14)%
Debt Service - Interest	102,721	97,928	4,793	4.89 %
Food Service Program	196,506	192,884	3,622	1.88 %
Total Expenses	<u>12,878,274</u>	<u>12,464,207</u>	<u>414,067</u>	3.32 %
Change in Net Position	<u>\$ (340,188)</u>	<u>\$ (321,215)</u>	<u>\$ (18,973)</u>	(5.91)%

Certain prior year revenues for the extraclassroom activities fund (miscellaneous) and the scholarship fund (interest), have been reclassified from program revenues to general revenues to conform with the current year's presentation. The District's net position (deficit) increased by \$340,188 and \$321,215 for the years ended June 30, 2024 and 2023, respectively.

The District's revenues increased when compared to the prior year, primarily due to the following major changes:

- Real property taxes and STAR were increased to fund additional appropriations in the voter-approved 2023-2024 budget.
- Other revenue rose primarily due to the District receiving more interest earnings over the prior year, as a result of higher interest rates on cash accounts.
- Charges for services decreased mainly due to less tuition revenue, as a result of a reduction of the number of students attending from other districts.

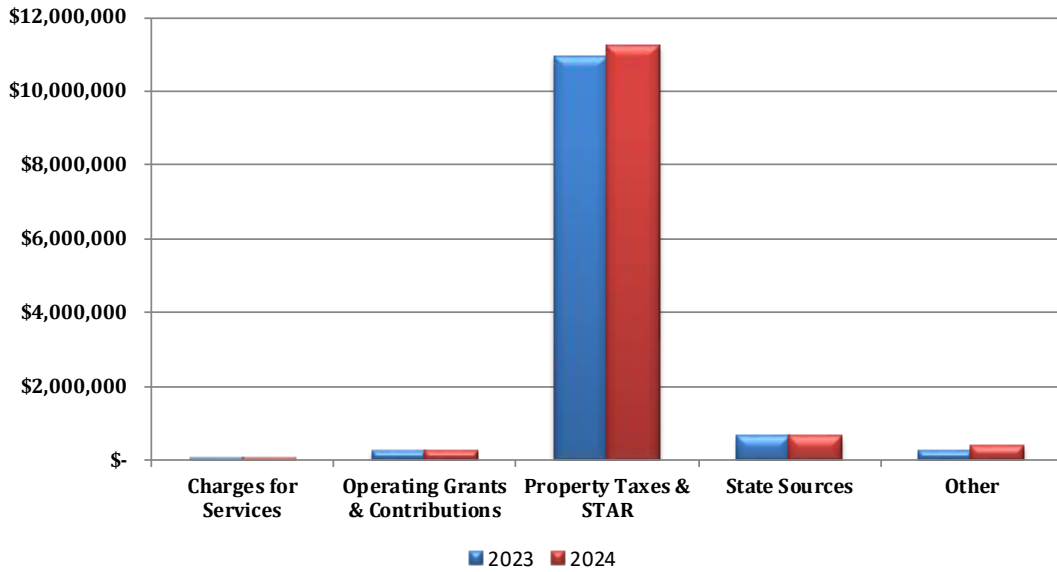
The District's expenses increased when compared to the prior year, primarily due to the following major changes:

- General support and instruction increased based on the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs. In addition, general support increased due to routine salary increases, and instruction increased as a result of a higher tuition cost attributable to a rise in enrollment.
- Pupil transportation expenses decreased due to a decline in contractual bus expenses.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.6% and 90.2% of the total for the years 2024 and 2023, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 72.9% and 73.1% of the total for the years 2024 and 2023, respectively).

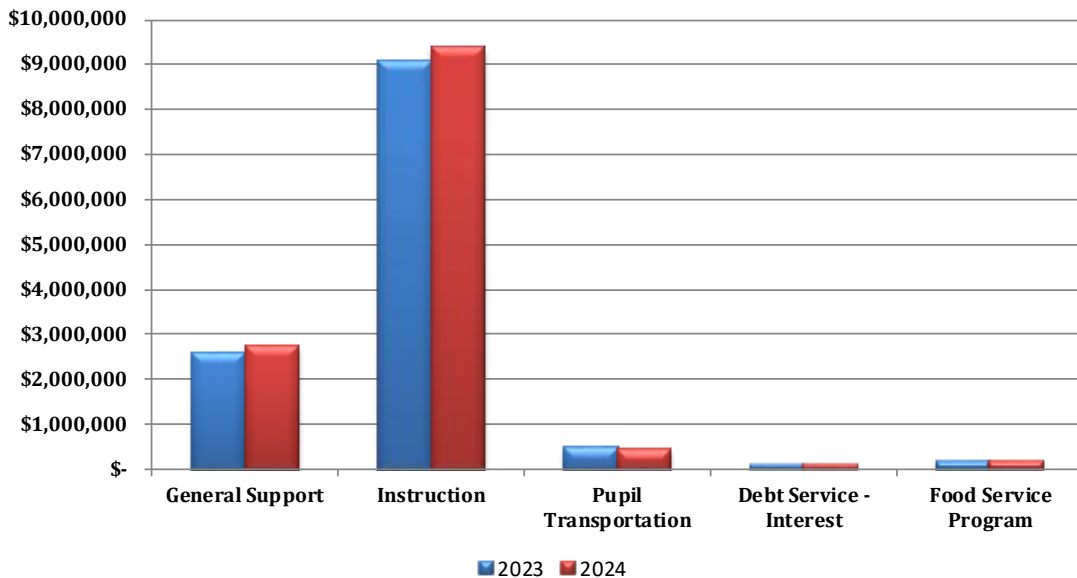
SHELTER ISLAND UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

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



	Charges for Services	Operating Grants & Contributions	Property Taxes & STAR	State Sources	Other
2023	0.4%	2.0%	90.2%	5.4%	2.0%
2024	0.1%	2.0%	89.6%	5.2%	3.1%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2023	20.7%	73.1%	3.9%	0.8%	1.5%
2024	21.3%	72.9%	3.5%	0.8%	1.5%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2024, the District's governmental funds reported a combined fund balance of \$2,734,423, which is a decrease of \$313,853 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources 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:

	2024	2023	Increase (Decrease)	Percentage Change
General Fund				
Restricted				
Workers' compensation	\$ 5,345	\$ 5,101	\$ 244	4.78 %
Unemployment insurance	155,516	148,414	7,102	4.79 %
Retirement contribution:				
Teachers' retirement system	322,836	348,653	(25,817)	(7.40)%
Employees' retirement system	270,993	299,177	(28,184)	(9.42)%
Employee benefit accrued liability	335,389	320,073	15,316	4.79 %
Capital	40,703	34,073	6,630	19.46 %
Repairs	288,303	119,555	168,748	141.15 %
Assigned:				
Appropriated fund balance	590,210	623,335	(33,125)	(5.31)%
Unappropriated fund balance	105,963	65,778	40,185	61.09 %
Unassigned: Fund balance	523,992	587,535	(63,543)	(10.82)%
	<u>2,639,250</u>	<u>2,551,694</u>	<u>87,556</u>	3.43 %
School Food Service Fund				
Nonspendable: Inventory	2,942	3,992	(1,050)	(26.30)%
Assigned: Unappropriated fund balance	-	9	(9)	(100.00)%
	<u>2,942</u>	<u>4,001</u>	<u>(1,059)</u>	(26.47)%
Capital Projects Fund				
Restricted: Repairs	-	649,119	(649,119)	(100.00)%
Unassigned fund balance (deficit)	-	(250,000)	250,000	100.00 %
	<u>-</u>	<u>399,119</u>	<u>(399,119)</u>	(100.00)%
Extraclassroom Activities Funds				
Assigned: Unappropriated fund balance	54,625	50,020	4,605	9.21 %
Scholarships Fund				
Restricted: Scholarships	37,606	43,442	(5,836)	(13.43)%
Total Fund Balance	<u>\$ 2,734,423</u>	<u>\$ 3,048,276</u>	<u>\$ (313,853)</u>	(10.30)%

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

A. General Fund

The general fund – fund balance is a net increase of \$87,556, compared to a decrease of \$784,028 in 2023, as expenditures and other financing uses exceeded revenues.

The following is a summary of the major changes that resulted in revenues increasing from the prior year:

	2024	2023	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	\$ 11,236,627	\$ 10,948,887	\$ 287,740	2.63 %
Other Local Sources	301,161	185,266	115,895	62.56 %
State Sources	647,680	659,030	(11,350)	(1.72)%
Federal Sources	36,014	-	36,014	0.00 %
	<u>\$ 12,221,482</u>	<u>\$ 11,793,183</u>	<u>\$ 428,299</u>	3.63 %

- Property taxes and STAR increased due to a rise in the tax levy in accordance with the 2023-2024 budget.
- Other local sources increased as a result of higher interest earnings and refunds of prior year expenditures for BOCES.

The following is a summary of the major changes that resulted in expenditures and other financing uses decreasing from the prior year:

	2024	2023	Increase (Decrease)	Percentage Change
General Support	\$ 2,032,395	\$ 2,067,817	\$ (35,422)	(1.71)%
Instruction	5,777,084	5,860,657	(83,573)	(1.43)%
Pupil Transportation	446,656	477,870	(31,214)	(6.53)%
Employee Benefits	3,318,853	3,190,515	128,338	4.02 %
Debt Service	432,642	419,926	12,716	3.03 %
Other Financing Uses	126,296	560,426	(434,130)	(77.46)%
	<u>\$ 12,133,926</u>	<u>\$ 12,577,211</u>	<u>\$ (443,285)</u>	(3.52)%

- Instruction decreased mainly due to a decline in tuition costs within programs for students with disabilities, attributable to an decrease in enrollment.
- General support decreased primarily due to expenditures for prior year concrete work completed to be in compliance with Americans with Disabilities Act (ADA) requirements, as well as a purchase of a shuttle bus.
- Other financing uses decreased as, in the prior year, the District transferred \$450,000 to the capital projects fund to fund the septic system project, whereas, in the current year, the District did not have transfers into the capital projects fund.
- Employee benefits increased chiefly due to the rise in health insurance premiums and higher contributions to TRS.

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

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

	Balance @ June 30, 2023	Use of Reserves	Interest	Funding	Balance @ June 30, 2024
Workers' compensation	\$ 5,101	\$	\$ 244	\$	\$ 5,345
Unemployment insurance	148,414		7,102		155,516
Retirement contribution:					
Teachers'	348,653	(42,500)	16,683		322,836
Employees'	299,177	(42,500)	14,316		270,993
EBALR	320,073		15,316		335,389
Capital	34,073		1,630	5,000	40,703
Repairs	119,555	(137,143)	5,721	300,170	288,303
	<u>\$ 1,275,046</u>	<u>\$ (222,143)</u>	<u>\$ 61,012</u>	<u>\$ 305,170</u>	<u>\$ 1,419,085</u>

Additional detail regarding capital reserves can be found in Note 19 "Restricted for Capital Reserve."

B. School Food Service Fund

The school food service fund - fund balance decreased \$1,059. The fund is dependent on the transfer from the general fund, which in 2024 was \$125,156.

C. Capital Projects Fund

The capital projects fund – fund balance net decrease is the result of expenditures related to capital improvement projects, exceeding state sources and operating transfers in from the general fund.

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

	Balance @ June 30, 2023	Use of Reserves	Funding	Balance @ June 30, 2024
2021 Repair Reserve	\$ 649,119	\$ (649,119)	\$	\$ -

D. Extraclassroom Activities Fund

The extraclassroom activities fund – fund balance net increase is attributable to cash receipts from fundraising and collections for student clubs activities exceeding disbursements related to those activities.

E. Scholarships Fund

The scholarships fund – fund balance net decrease is the result of scholarships awarded exceeding scholarship donations and interest.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2023-2024 Budget

The District's general fund adopted budget for the year ended June 30, 2024 was \$12,664,093. This amount was increased by encumbrances carried forward from the prior year, in the amount of \$65,778 and budget revisions in the amount of \$151,878, for a total final budget of \$12,881,749.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$11,309,360 in estimated property taxes and STAR and PILOT.

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 current and prior years' excess revenues and other financing sources over expenditures and other financing uses, 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	\$	587,535
Revenues Over Budget		250,989
Expenditures, Other Financing Uses, and Encumbrances Under Budget		641,860
Allocation to Reserves		(366,182)
Appropriated to Fund the June 30, 2025 Budget		<u>(590,210)</u>
Closing, Unassigned Fund Balance	\$	<u><u>523,992</u></u>

Opening, Unassigned Fund Balance

The \$587,535 shown in the table is the portion of the District's June 30, 2023 fund balance that was retained as unassigned fund balance.

Revenues Over Budget

The 2023-2024 final budget for revenues was \$11,970,493. Actual revenues recognized for the year were \$12,221,482. The excess of actual revenues over estimated revenues was \$250,989, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures, Other Financing Uses, and Encumbrances Under Budget

The 2023-2024 final budget for expenditures and other financing uses was \$12,881,749. Actual expenditures and other financing uses as of June 30, 2024 were \$12,133,926 and outstanding encumbrances were \$105,963. Combined, the expenditures plus encumbrances for 2023-2024 were \$12,239,889. The final budget variance was \$641,860, which contributes directly to the change to the

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

general fund unassigned fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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. “General Fund” (summary of restricted fund balance activity) of this MD&A details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$590,210 of the available June 30, 2024 unassigned fund balance to partially fund the 2024-2025 approved operating budget. As such, the June 30, 2024 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, 2024 was \$523,992. This is a decrease of \$63,543 from the unassigned fund balance as of June 30, 2023 and equals 4.00% of the 2024-2025 budget and complies with the statutory limit established by New York State Real Property Tax Law §1318.

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

A. Capital Assets

At June 30, 2024, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital asset additions of \$681,306 in excess of depreciation expense of \$485,168 for the year ended June 30, 2024. A summary of the District’s capital assets, net of accumulated depreciation at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Land	\$ 25,200	\$ 25,200	\$ -
Construction in progress	-	600,881	(600,881)
Buildings and improvements	6,827,581	7,158,936	(331,355)
Site improvements	1,623,001	413,189	1,209,812
Furniture and equipment	<u>529,123</u>	<u>610,561</u>	<u>(81,438)</u>
Capital assets, net	<u><u>\$ 9,004,905</u></u>	<u><u>\$ 8,808,767</u></u>	<u><u>\$ 196,138</u></u>

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

B. Debt Administration

At June 30, 2023, the District had combined total debt of \$2,056,093. The decreases in outstanding debt represent principal payments made throughout the year. A summary of outstanding debt at June 30, 2024 and 2023 is as follows:

Issue Date	Interest Rate	2024	2023	Increase (Decrease)
Bonds Payable				
7/26/2012	2.0-2.5%	\$ 750,000	\$ 890,000	\$ (140,000)
12/1/2015	2.0-3.0%	765,000	880,000	(115,000)
		<u>\$ 1,515,000</u>	<u>\$ 1,770,000</u>	<u>\$ (255,000)</u>
Installment Purchase Debt				
7/1/2022	7/24/2026	\$ 17,855	\$ 25,264	\$ (7,409)
Energy Performance Contract				
3/21/2016	2.85%	\$ 523,238	\$ 589,880	\$ (66,642)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and termination benefits, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share, and total OPEB liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2024 and 2023 is as follows:

	2024	2023	Increase (Decrease)
Compensated absences payable	\$ 731,523	\$ 731,269	\$ 254
Workers' compensation liabilities	53,308	46,904	6,404
Termination benefits	443,978	425,719	18,259
Total OPEB liability	23,025,200	22,922,950	102,250
Net pension liabilities - proportionate share	814,534	1,344,109	(529,575)
	<u>\$ 25,068,543</u>	<u>\$ 25,470,951</u>	<u>\$ (402,408)</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 May 21, 2024, for the year ending June 30, 2025, is \$13,099,796. This is an increase of \$435,703 or 3.44% over the previous year's adopted budget.

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

The District budgeted revenues other than property taxes and STAR at a \$82,750 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$590,210 is a \$33,125 decrease from the previous year. Additionally, the District has elected to appropriate \$210,824 of reserves towards the next year's budget, an increase of \$125,824. A property tax increase of \$260,254 (2.32%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Factors to consider that could influence future budgets:

- Uncertainty with state aid complicates long-range planning.
- Rise in employee cost centers of employee salaries and health benefits, as well as contributions to pension programs.
- Changing circumstances of unforeseen events and risks including natural disasters and global pandemics.
- Impact of external factors such as market trends, economic conditions, and regulatory changes.
- The combination of high inflation and high-interest rates can impact all lines of the budget.
- Social and demographic changes with population, age distribution, and personal income can have significant and lasting effects.
- Legal and intergovernmental factors constraining tax increases, forbidding particular revenue sources, and mandating some services.

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 2024-2025 is 2.32%. The District's property tax levy increase of 2.32% 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
TENTATIVE DRAFT
Statement of Net Position
June 30, 2024

ASSETS

Cash and cash equivalents	
Unrestricted	\$ 1,943,436
Restricted	1,456,691
Receivables	
Due from state and federal	145,181
Due from other governments	55,867
Other assets	158,266
Inventories	2,942
Capital assets:	
Not being depreciated	25,200
Being depreciated, net of accumulated depreciation	<u>8,979,705</u>
Total Assets	<u>12,767,288</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	2,554,271
Other postemployment benefits	<u>5,109,869</u>
Total Deferred Outflows of Resources	<u>7,664,140</u>

LIABILITIES

Payables	
Accounts payable	168,380
Accrued liabilities	26,899
Due to other governments	55,662
Due to teachers' retirement system	544,811
Due to employees' retirement system	49,285
Other liabilities	12,074
Unearned credits: collections in advance	19,419
Long-term liabilities	
Due and payable within one year	
Bonds payable	265,000
Installment purchase debt payable	8,137
Energy performance contract payable	68,555
Workers' compensation liabilities	53,308
Total other postemployment benefits liability	619,360
Due and payable after one year	
Bonds payable	1,250,000
Installment purchase debt payable	9,718
Energy performance contract payable	454,683
Compensated absences payable	731,523
Termination benefits	443,978
Total other postemployment benefits liability	22,405,840
Net pension liabilities - proportionate share	<u>814,534</u>
Total Liabilities	<u>28,001,166</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	469,698
Other postemployment benefits	<u>9,239,329</u>
Total Deferred Inflows of Resources	<u>9,709,027</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>6,948,812</u>
Restricted	
Workers' compensation	5,345
Unemployment insurance	155,516
Retirement contribution	
Teachers' retirement system	322,836
Employees' retirement system	270,993
Employee benefit accrued liability	335,389
Capital	40,703
Repairs	288,303
Scholarships	<u>37,606</u>
	<u>1,456,691</u>
Unrestricted (Deficit)	<u>(25,684,268)</u>
Total Net Position (Deficit)	<u>\$ (17,278,765)</u>

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
TENTATIVE DRAFT
Statement of Activities
For the Year Ended June 30, 2024

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	
FUNCTIONS/PROGRAMS				
General support	\$ 2,739,426	\$		\$ (2,739,426)
Instruction	9,392,965		194,995	(9,197,970)
Pupil transportation	446,656			(446,656)
Debt service - interest	102,721			(102,721)
Food service program	196,506	15,959	53,750	(126,797)
	<u>\$ 12,878,274</u>	<u>\$ 15,959</u>	<u>\$ 248,745</u>	<u>(12,613,570)</u>
GENERAL REVENUES				
Real property taxes				11,161,401
Other real property tax items				147,959
Use of money and property				128,031
Miscellaneous				188,311
State sources				647,680
				<u>12,273,382</u>
Total General Revenues				<u>12,273,382</u>
Change in Net Position				(340,188)
Total Net Position (Deficit) - Beginning of Year				<u>(16,938,577)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (17,278,765)</u>

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
 June 30, 2024

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
ASSETS							
Cash and cash equivalents							
Unrestricted	\$ 1,855,223	\$ 476	\$ 29,523	\$ 2,711	\$ 55,503	\$ -	\$ 1,943,436
Restricted	1,419,149					37,542	1,456,691
Receivables							
Due from other funds	137,502					64	137,566
Due from state and federal	21,370	119,271	4,540				145,181
Due from other governments	55,651	216					55,867
Inventories			2,942				2,942
Total Assets	<u>\$ 3,488,895</u>	<u>\$ 119,963</u>	<u>\$ 37,005</u>	<u>\$ 2,711</u>	<u>\$ 55,503</u>	<u>\$ 37,606</u>	<u>\$ 3,741,683</u>
LIABILITIES							
Payables							
Accounts payable	\$ 163,858	\$ 4,522					\$ 168,380
Accrued liabilities	20,063						20,063
Due to other funds	64	107,052	27,739	2,711			137,566
Due to other governments	54,764		20		878		55,662
Due to teachers' retirement system	544,811						544,811
Due to employees' retirement system	49,285						49,285
Other liabilities	12,074						12,074
Unearned credits							
Collections in advance	4,726	8,389	6,304				19,419
Total Liabilities	<u>849,645</u>	<u>119,963</u>	<u>34,063</u>	<u>2,711</u>	<u>878</u>	<u>-</u>	<u>1,007,260</u>
FUND BALANCES							
Nonspendable: Inventories			2,942				2,942
Restricted:							
Workers' compensation	5,345						5,345
Unemployment insurance	155,516						155,516
Retirement contribution:							
Teachers' retirement system	322,836						322,836
Employees' retirement system	270,993						270,993
Employee benefit accrued liability	335,389						335,389
Capital	40,703						40,703
Repairs	288,303						288,303
Scholarships						37,606	37,606
Assigned:							
Appropriated fund balance	590,210						590,210
Unappropriated fund balance	105,963				54,625		160,588
Unassigned: Fund balance	523,992						523,992
Total Fund Balances	<u>2,639,250</u>	<u>-</u>	<u>2,942</u>	<u>-</u>	<u>54,625</u>	<u>37,606</u>	<u>2,734,423</u>
Total Liabilities and Fund Balances	<u>\$ 3,488,895</u>	<u>\$ 119,963</u>	<u>\$ 37,005</u>	<u>\$ 2,711</u>	<u>\$ 55,503</u>	<u>\$ 37,606</u>	<u>\$ 3,741,683</u>

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Total Governmental Fund Balances \$ 2,734,423

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. 158,266

The costs of building and acquiring capital assets 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 or present value of capital assets	\$ 18,094,491	
Less: Accumulated depreciation	<u>(9,089,586)</u>	9,004,905

Proportionate share of long-term liabilities, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	2,554,271	
Net pension liability - teachers' retirement system	(300,212)	
Net pension liability - employees' retirement system	(514,322)	
Deferred inflows of resources	<u>(469,698)</u>	1,270,039

Total other postemployment benefits liability, as well as deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	5,109,869	
Total other postemployment benefits liability	(23,025,200)	
Deferred inflows of resources	<u>(9,239,329)</u>	(27,154,660)

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 long-term debt	(6,836)	
Bonds payable	(1,515,000)	
Installment purchase debt payable	(17,855)	
Energy performance contract payable	(523,238)	
Compensated absences payable	(731,523)	
Workers' compensation liabilities	(53,308)	
Termination benefits	<u>(443,978)</u>	(3,291,738)

Total Net Position (Deficit) \$ (17,278,765)

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
REVENUES							
Real property taxes	\$ 11,161,401	\$	\$	\$	\$	\$	\$ 11,161,401
Other real property tax items	147,959						147,959
Use of money and property	127,104				465	462	128,031
Miscellaneous	101,324				86,987	22,627	210,938
State sources	647,680	4,558	19,442	250,000			921,680
Federal sources	36,014	131,796	34,308				202,118
Sales			15,959				15,959
Total Revenues	12,221,482	136,354	69,709	250,000	87,452	23,089	12,788,086
EXPENDITURES							
General support	2,032,395						2,032,395
Instruction	5,777,084	137,494			82,847	28,925	6,026,350
Pupil transportation	446,656						446,656
Employee benefits	3,318,853		60,088				3,378,941
Debt service							
Principal	329,051						329,051
Interest	103,591						103,591
Food service program			135,836				135,836
Capital outlay				649,119			649,119
Total Expenditures	12,007,630	137,494	195,924	649,119	82,847	28,925	13,101,939
Excess of Revenues							
Over (Under) Expenditures	213,852	(1,140)	(126,215)	(399,119)	4,605	(5,836)	(313,853)
OTHER FINANCING SOURCES AND (USES)							
Operating transfers in		1,140	125,156				126,296
Operating transfers (out)	(126,296)						(126,296)
Total Other Financing Sources and (Uses)	(126,296)	1,140	125,156	-	-	-	-
Net Change in Fund Balances	87,556	-	(1,059)	(399,119)	4,605	(5,836)	(313,853)
Fund Balances -							
Beginning of Year	2,551,694	-	4,001	399,119	50,020	43,442	3,048,276
End of Year	\$ 2,639,250	\$ -	\$ 2,942	\$ -	\$ 54,625	\$ 37,606	\$ 2,734,423

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, 2024

Net Change in Fund Balances \$ (313,853)

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

\$ (250,000)

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 a third-party administrator decreased in the period.

(311)

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	(254)
Increase in workers' compensation liabilities	(6,404)
Increase in termination benefits	(18,259)
	(24,917)

(275,228)

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 capital outlays and other additions exceeded depreciation expense in the period.

Capital outlays and other additions	681,306
Depreciation expense	(485,168)
	196,138

196,138

Long-Term Debt Transactions Differences

Repayment of long-term debt principal 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.

Bonds payable	255,000
Installment purchase debt payable	7,409
Energy performance contract payable	66,642

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, 2023 to June 30, 2024.

870

329,921

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	(400,022)
Employees' retirement system	(61,589)
Other postemployment benefits	184,445
	(277,166)

(277,166)

Change in Net Position of Governmental Activities

\$ (340,188)

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
 June 30, 2024

	Custodial
ASSETS	
Due from governmental funds	\$ -
LIABILITIES	
Due to other governments	-
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
 For the Year Ended June 30, 2024

	Custodial
ADDITIONS	
Real property taxes and PILOT collected for the Library	\$ 794,279
DEDUCTIONS	
Disbursements of real property taxes and PILOT to the Library	794,279
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

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 (Board) 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, there are no other entities that would be included in the District's reporting entity.

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 (GML). 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.

TENTATIVE DRAFT
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 and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, 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 the acquisition, construction, renovation, or major repair of capital facilities and other capital assets.

Extraclassroom Activities Fund - is used to account for the funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extraclassroom activities fund are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activities fund can be found at the District's Business Office.

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

Scholarships Fund – is used to account for funds collected that benefit annual third-party awards and scholarships for students.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or custodian 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 is the District’s fiduciary fund:

Custodial Fund – is used to account for real property taxes and PILOT collected on behalf of other governments and disbursed to those governments.

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 funds 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, workers’ compensation, compensated absences, termination benefits, pension costs, and OPEB, which are recognized as expenditures to the extent they have matured. Capital assets 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 and Other Tax Items

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. 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, however, they are accounted for in the custodial fund.

Enforcement

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

School Tax Relief (STAR) Aid

New York State implemented the STAR program with the enactment of Chapter 389 of the Laws of 1997 to reduce the school property tax burden on residential homeowners. A school district's annual property tax levy as adopted is reduced by the total amount of the STAR exemptions granted to homeowners. School districts are reimbursed for this loss in property tax revenues by the state with STAR aid, which is reported as other tax items revenue.

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 revenue; however, the amounts are recorded within the custodial fund.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Suffolk County. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments.

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.

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

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, eliminations have been made for all interfund receivables and payables among the funds.

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 revenue availability, compensated absences, termination benefits, pension costs, OPEB, 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 an original 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.

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

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. Capital Assets

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

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives 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

N. Other Assets

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

O. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net assets 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 assets or liabilities 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 OPEB liability 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 five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including, 2021. 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.

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

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 summer program fees in the general fund, and prepaid lunch amounts in the school food service fund. 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.

S. Employee Benefits – Compensated Absences

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

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 30th.

T. Other Benefits

Eligible District employees participate in the TRS or the ERS.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code §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.

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

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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

U. Long-Term Debt

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund.

V. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net assets 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 two items that qualify for reporting in this category. The first 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 assets or liabilities not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in total OPEB liability not included in OPEB expense.

W. 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 acquisition, 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.

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

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:

Workers' Compensation Reserve

Workers' Compensation Reserve (GMS §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. The reserve is accounted for in the general fund.

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.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the ERS and TRS. 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. Contributions to the TRS sub-fund are limited 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 TRS sub-fund is separately administered, but most comply with all the existing provisions of GML §6-r. These reserves are accounted for in the general fund.

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

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefits primarily based on unused and unpaid sick leave, personal leave, holiday leave, or vacation leave 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. This reserve is accounted for in the general 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, 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. These reserves are accounted for in the general fund and capital projects fund.

Restricted for Scholarships

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board. 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, positive amount of fund balance. Assigned fund balance also 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.

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

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 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.

The Board 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 GASB Statements are issued to set 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.

Effective for the Year Ending	Statement
June 30, 2025	GASB No. 101 – <i>Compensated Absences</i>
June 30, 2025	GASB No. 102 – <i>Certain Risk Disclosures</i>
June 30, 2026	GASB No. 103 – <i>Financial Reporting Model Improvements</i>

GASB Statement No. 101 was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and amending previously required disclosures.

GASB Statement No. 102 was issued to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103 was issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

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.

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

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 deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

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 acquisition or financing 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 payments 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.

OPEB 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 health insurance premiums and OPEB 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.

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

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The District’s administration prepares a proposed budget for approval by the Board 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 may be 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 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:

Contingent expenditures funded by gifts and donations	\$ 14,735
Repairs to softball field, backstop, and dugouts funded by repair reserve	80,778
Replacement of gymnasium doors funded by repair reserve	<u>56,365</u>
	<u>\$ 151,878</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.

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. Investments are stated at fair value.

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

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 New York Cooperative Liquid Assets Securities System (NYCLASS) a multi-municipal cooperative investment pool agreement pursuant to GML Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. NYCLASS is rated AAAM by S&P Global Ratings. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS portfolio holdings are collateralized in accordance with GML §10.

The District's investment in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2024, was 38 days and the weighted average life (WAL) was 72 days. These investments are included in cash as follows:

Fund	Carrying Amount
General Fund	\$ 2,878,383

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. 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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2024, the District was billed \$261,264 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$55,651. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

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

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2024 consisted of:

General Fund	
New York State - excess cost aid	\$ 21,370
Special Aid Fund	
Federal and state grants	119,271
School Food Service Fund	
Federal and state food service program reimbursements	4,540
	4,540
	\$ 145,181

District management expects these amounts to be fully collectible.

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2024 consisted of:

General Fund	
BOCES aid	\$ 55,651

District management expects these amounts to be fully collectible.

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2024 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 137,502	\$ 64	\$	\$ 126,296
Special Aid Fund		107,052	1,140	
School Food Service Fund		27,739	125,156	
Capital Projects Fund		2,711		
Scholarship Fund	64			
	64			
Total Governmental Funds	\$ 137,566	\$ 137,566	\$ 126,296	\$ 126,296

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 food service fund to subsidize the lunch program.

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

10. CAPITAL ASSETS

A. Changes

Capital assets balances and activity for the year ended June 30, 2024 were as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 25,200	\$	\$	\$ 25,200
Construction in progress	600,881	649,119	(1,250,000)	-
Total capital assets not being depreciated	626,081	649,119	(1,250,000)	25,200
Capital assets being depreciated:				
Buildings and improvements	14,228,556			14,228,556
Site improvements	904,668	1,250,000		2,154,668
Furniture and equipment	1,811,954	32,187	(158,074)	1,686,067
Total capital assets being depreciated	16,945,178	1,282,187	(158,074)	18,069,291
Less accumulated depreciation for:				
Buildings and improvements	7,069,620	331,355		7,400,975
Site improvements	491,479	40,188		531,667
Furniture and equipment	1,201,393	113,625	(158,074)	1,156,944
Total accumulated depreciation	8,762,492	485,168	(158,074)	9,089,586
Total capital assets, being depreciated, net	8,182,686	797,019	-	8,979,705
Capital assets, net	\$ 8,808,767	\$ 1,446,138	\$ (1,250,000)	\$ 9,004,905

Depreciation expense was charged to governmental functions as follows:

General support	\$ 111,656
Instruction	372,930
Food service program	582
Total depreciation expense	\$ 485,168

B. Impairment Losses

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2022, the District has not recorded any such impairment losses.

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

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2023</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2024</u>
TAN	4/25/2024	5.00%	<u>\$ -</u>	<u>\$ 1,600,000</u>	<u>\$ (1,600,000)</u>	<u>\$ -</u>

The TAN was issued to provide cash flow for the District until real property taxes are received from the Town. Interest on short-term debt for the year was \$38,821, net of a premium of \$2,512, to yield an effective interest rate of 4.70%.

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension liabilities, for the year are summarized below:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 1,770,000	\$ -	\$ (255,000)	\$ 1,515,000	\$ 265,000
Installment purchase debt	25,264		(7,409)	17,855	8,137
Energy performance contract	589,880		(66,642)	523,238	68,555
<u>Other long-term liabilities:</u>					
Compensated absences	731,269	254		731,523	
Workers' compensation	46,904	15,991	(9,587)	53,308	53,308
Termination benefits	425,719	18,259		443,978	
Total OPEB liability	<u>22,922,950</u>	<u>721,610</u>	<u>(619,360)</u>	<u>23,025,200</u>	<u>619,360</u>
	<u>\$ 26,511,986</u>	<u>\$ 756,114</u>	<u>\$ (957,998)</u>	<u>\$ 26,310,102</u>	<u>\$ 1,014,360</u>

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

Additions and reductions to compensated absences and termination benefits are shown net since it is impractical to separately determine these amounts. The maturities of compensated absences and termination benefits are not determinable.

For total OPEB liability, please see subsequent section titled "Postemployment Healthcare Benefits" for additional information.

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
2012 Serial Bonds - Construction	7/26/2012	6/15/2029	2.0-2.5%	\$ 750,000
2015 Serial Bonds - Building improvements	12/1/2015	6/1/2030	2.0-3.0%	<u>765,000</u>
				<u><u>\$ 1,515,000</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 265,000	\$ 38,582	\$ 303,582
2026	270,000	32,800	302,800
2027	275,000	26,412	301,412
2028	285,000	19,600	304,600
2029	285,000	11,825	296,825
2030	<u>135,000</u>	<u>4,050</u>	<u>139,050</u>
Total	<u><u>\$ 1,515,000</u></u>	<u><u>\$ 133,269</u></u>	<u><u>\$ 1,648,269</u></u>

C. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
Copier equipment	7/1/2022	7/24/2026	9.40%	<u><u>\$ 17,855</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 8,137	\$ 1,334	\$ 9,471
2026	8,935	535	9,470
2027	<u>783</u>	<u>6</u>	<u>789</u>
Total	<u><u>\$ 17,855</u></u>	<u><u>\$ 1,875</u></u>	<u><u>\$ 19,730</u></u>

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

D. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2024
Energy efficiency upgrades	3/21/2016	3/15/2031	2.85%	<u>\$ 523,238</u>

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 68,555	\$ 14,427	\$ 82,982
2026	70,522	12,460	82,982
2027	72,547	10,435	82,982
2028	74,628	8,353	82,981
2029	76,771	6,211	82,982
2030 - 2031	<u>160,215</u>	<u>5,748</u>	<u>165,963</u>
Total	<u>\$ 523,238</u>	<u>\$ 57,634</u>	<u>\$ 580,872</u>

E. Interest Expense

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

Interest paid	\$ 62,258
Less interest accrued in the prior year	(7,706)
Plus interest accrued in the current year	<u>6,836</u>
Total interest expense on long-term debt	<u>\$ 61,388</u>

13. 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, defined benefit, 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, 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

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

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 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 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 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October, and November, with the balance to be paid by the District, if necessary. 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 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. 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 10.29% of covered payroll for the TRS' fiscal year ended June 30, 2023. The District's average contribution rate was 13.94% of covered payroll for the ERS, fiscal year ended March 31, 2024.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2024, was \$465,546 for TRS at the contribution rate of 9.76% and \$169,135 for ERS at an average contribution rate of 12.39%.

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

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

At June 30, 2024, 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 30, 2023, for TRS and March 31, 2024 for ERS. The total pension 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.

	TRS	ERS
Measurement date	June 30, 2023	March 31, 2024
District's proportionate share of the net pension liability	\$ (300,212)	\$ (514,322)
District's portion of the Plan's net pension liability	0.026252%	0.0034931%
Change in proportion since the prior measurement date	(0.000399)	(0.0003901)

For the year ended June 30, 2024, the District recognized a pension expense of \$870,535 for TRS and \$230,300 for ERS. At June 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 727,933	\$ 165,663	\$ 1,799	\$ 14,024
Changes of assumptions	646,346	194,454	140,868	
Net difference between projected and actual earnings on pension plan investments	153,462			251,244
Changes in proportion and differences between the District's contributions and proportionate share of contributions	87,530	58,928	15,544	46,219
District contributions subsequent to the measurement date	470,670	49,285		
Total	\$ 2,085,941	\$ 468,330	\$ 158,211	\$ 311,487

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

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2025	\$ 139,047	\$ (87,847)
2026	(140,052)	108,037
2027	1,223,422	145,433
2028	105,072	(58,065)
2029	82,417	
Thereafter	47,154	
	\$ 1,457,060	\$ 107,558

Actuarial Assumptions

The total pension 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 liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2023	March 31, 2024
Actuarial valuation date	June 30, 2022	April 1, 2023
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of Living adjustments	1.30%	1.50%

For TRS, annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021 for June 30, 2023 and June 30, 2022, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, assumptions were computed by the TRS’ Office of the Actuary and adopted by the TRS’ Retirement Board in October 2021. The assumptions are based upon recent TRS member experience. Detailed assumption information may be found in the TRS’ annual Actuarial Valuation Report. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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* and generally accepted accounting principles. 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.

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

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.

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 Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date	June 30, 2023		March 31, 2024	
Asset class				
Domestic equity	33.0%	6.80%	32.0%	4.00%
International equity	15.0%	7.60%	15.0%	6.65%
Global equity	4.0%	7.20%		
Real estate equity	11.0%	6.30%	9.0%	4.60%
Private equity	9.0%	10.10%	10.0%	7.25%
Alternative investments			10.0%	5.25-5.79%
Domestic fixed income	16.0%	2.20%		
Global bonds	2.0%	1.60%		
High-yield bonds	1.0%	4.40%		
Fixed income			23.0%	1.50%
Private debt	2.0%	6.00%		
Real estate debt	6.0%	3.20%		
Cash equivalents	1.0%	0.30%		
Cash			1.0%	0.25%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS. The projection of cash flows used to determine the discount rate assumed 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 6.95% for the TRS and 5.90% 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 (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

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NOTES TO FINANCIAL STATEMENTS
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TRIS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset/(liability)	\$ (4,572,374)	\$ (300,212)	\$ 3,292,862
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset/(liability)	\$ (1,617,082)	\$ (514,322)	\$ 406,711

Pension Plan Fiduciary Net Position

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

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2023	March 31, 2024
Employers' total pension liability	\$ (138,365,122)	\$ (240,696,851)
Plan fiduciary net position	137,221,537	225,972,801
Employers' net pension liability	\$ (1,143,585)	\$ (14,724,050)
Ratio of plan fiduciary net position to the employers' total pension liability	99.17%	93.88%

Payables to the Pension Plan

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2024, are paid to the system in September, October, and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024, represent employer and employee contributions for the fiscal year ended June 30, 2024, 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, 2024 amounted to \$465,501 of employer contributions and \$79,310 of employee contributions.

For the ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2024, represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$49,285 of employer contributions. Employee contributions are remitted monthly.

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

14. 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. Contributions made by employees for the year ended June 30, 2024, totaled \$196,334.

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, 2024 totaled \$71,093.

15. 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 No. 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 June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	-
Active employees	59
	127

B. Total OPEB Liability

The District’s total OPEB liability of \$23,025,200 was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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:

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Salary increases including inflation	2.40%
Discount rate	3.93%
Healthcare cost trend rates	5.80% decreasing to 3.80% over 51 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 PubT – 2010 Headcount – Weighted Mortality Table for Teaching Positions and PubG – 2010 Headcount – weighted Mortality Table for Non-Teaching Positions, both generationally projected using the MP – 2021 Ultimate Scale.

The plan has not had a formal actuarial experience study performed.

C. Changes in the Total OPEB Liability

Balance at June 30, 2023	<u>\$ 22,922,950</u>
Changes for the year	
Service cost	838,640
Interest on total OPEB liability	856,096
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(973,126)
Benefit payments	<u>(619,360)</u>
Net Change in OPEB Liability	<u>102,250</u>
Balance at June 30, 2024	<u><u>\$ 23,025,200</u></u>

A change in the discount rate from 3.65% in 2023 to 3.93% in 2024.

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 (2.93%) or 1 percentage point higher (4.93%) than the current discount rate:

OPEB	1% Decrease 2.93%	Discount Rate 3.93%	1% Increase 4.93%
Total OPEB liability	<u><u>\$ (26,789,128)</u></u>	<u><u>\$ (23,025,200)</u></u>	<u><u>\$ (19,981,788)</u></u>

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 (4.80% to 2.80%) or 1 percentage point higher (6.80% to 4.80%) than the current healthcare cost trend rate:

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	4.80%	5.80%	6.80%
	decreasing to	decreasing to	decreasing to
OPEB	2.80%	3.80%	4.80%
Total OPEB liability	<u>\$ (19,228,369)</u>	<u>\$ (23,025,200)</u>	<u>\$ (27,897,637)</u>

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

For the year June 30, 2024, the District recognized OPEB expense of \$434,915. At June 30, 2024, 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	\$ 1,331,183	\$ 1,646,563
Changes of assumptions or other inputs	3,778,686	7,592,766
Total	\$ 5,109,869	\$ 9,239,329

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

Year Ending June 30,	Amount
2025	\$ (1,259,821)
2026	(1,259,821)
2027	(533,572)
2028	(686,039)
2029	(366,634)
Thereafter	(23,573)
	\$ (4,129,460)

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 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.

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

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, 2024, as processed by the EEWCC, is \$53,308. Claims activity is summarized as follows:

	2023	2024
Claims at beginning of year	\$ 51,087	\$ 46,904
Incurred claims and claim adjustment expenses	4,693	15,991
Claims payments and expenses	(8,876)	(9,587)
Claims liabilities at end of year	\$ 46,904	\$ 53,308

The EEWCC is holding \$158,266 of cash on account for the District to satisfy these liabilities at June 30, 2024. In addition, the District has reserved \$5,345 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2024. 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.

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

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2024 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2025:

Retirement contributions		
Teachers' retirement system	\$	110,824
Employees' retirement system		<u>100,000</u>
	\$	<u><u>210,824</u></u>

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$590,210 has been appropriated to reduce taxes for the year ending June 30, 2025.

19. RESTRICTED FOR CAPITAL RESERVE

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

	<u>2006</u>	<u>F.I.T.</u>	
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>	
			<u>Total</u>
General Fund			
Funding Provided	\$ 1,767,002	\$ 37,573	\$ 1,804,575
Interest Earnings	150,031	2,249	152,280
Use of Reserve	<u>(1,916,152)</u>		<u>(1,916,152)</u>
Total General Fund	<u>\$ 881</u>	<u>\$ 39,822</u>	<u>\$ 40,703</u>

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2024, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 105,938
Instruction	<u>25</u>
	<u><u>\$ 105,963</u></u>

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

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.

21. 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.

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, 2024

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 11,236,630	\$ 11,236,630	\$ 11,161,401	\$ (75,229)
Other real property tax items			147,959	147,959
Use of money and property	25,000	25,000	127,104	102,104
Miscellaneous		14,735	101,324	86,589
Total Local Sources	11,261,630	11,276,365	11,537,788	261,423
State Sources	694,128	694,128	647,680	(46,448)
Federal Sources			36,014	36,014
Total Revenues	11,955,758	11,970,493	12,221,482	\$ 250,989
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	623,335	623,335		
Prior Year's Encumbrances	65,778	65,778		
Appropriated Reserves	85,000	222,143		
Total Appropriated Fund Balance	774,113	911,256		
Total Revenues and Appropriated Fund Balance	\$ 12,729,871	\$ 12,881,749		

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, 2024

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 127,219	\$ 139,679	\$ 137,382	\$	\$ 2,297
Central administration	260,601	262,201	258,055		4,146
Finance	432,106	417,207	371,220	38,200	7,787
Staff	63,310	63,310	55,506		7,804
Central services	1,054,851	1,160,806	1,027,665	67,738	65,403
Special items	195,113	195,113	182,567		12,546
Total General Support	2,133,200	2,238,316	2,032,395	105,938	99,983
Instruction					
Administration and improvement	466,361	458,367	434,126		24,241
Teaching - regular school	3,067,911	3,274,830	3,200,527	25	74,278
Programs for students with disabilities	1,088,622	971,224	886,053		85,171
Occupational education	15,130	15,130	15,130		-
Teaching - special schools	175,659	159,000	158,547		453
Instructional media	323,136	323,728	321,509		2,219
Pupil services	825,153	805,256	761,192		44,064
Total Instruction	5,961,972	6,007,535	5,777,084	25	230,426
Pupil Transportation	447,356	495,999	446,656		49,343
Employee Benefits	3,620,061	3,572,617	3,318,853		253,764
Debt Service					
Principal	329,051	329,051	329,051		-
Interest	108,257	108,257	103,591		4,666
Total Debt Service	437,308	437,308	432,642	-	4,666
Total Expenditures	12,599,897	12,751,775	12,007,630	105,963	638,182
OTHER FINANCING USES					
Operating Transfers Out	129,974	129,974	126,296		3,678
Total Expenditures and Other Uses	\$ 12,729,871	\$ 12,881,749	12,133,926	\$ 105,963	\$ 641,860
Net Change in Fund Balance			87,556		
Fund Balance - Beginning of Year			2,551,694		
Fund Balance - End of Year			<u>\$ 2,639,250</u>		

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 Ten Fiscal Years

Teachers' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.026252%	0.026651%	0.027964%	0.027433%	0.027742%	0.027604%	0.027961%	0.028609%	0.028252%	0.026905%
District's proportionate share of the net pension asset/(liability)	\$ (300,212)	\$ (511,402)	\$ 4,845,850	\$ (758,035)	\$ 720,735	\$ 499,156	\$ 212,528	\$ (306,412)	\$ 2,934,447	\$ 2,997,094
District's covered payroll	\$ 4,848,477	\$ 4,721,284	\$ 4,746,345	\$ 4,656,170	\$ 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	6.19 %	10.83 %	102.10 %	16.28 %	15.56 %	11.13 %	4.62 %	6.52 %	63.68 %	71.54 %
Plan fiduciary net position as a percentage of the total pension liability	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0034931%	0.0038832%	0.0040975%	0.0032783%	0.0035053%	0.0034870%	0.0036689%	0.0339150%	0.0037650%	0.0038356%
District's proportionate share of the net pension asset/(liability)	\$ (514,322)	\$ (832,707)	\$ 334,953	\$ (3,264)	\$ (928,231)	\$ (247,063)	\$ (118,410)	\$ (318,676)	\$ (604,297)	\$ (129,575)
District's covered payroll	\$ 1,275,352	\$ 1,277,579	\$ 1,176,561	\$ 1,110,396	\$ 1,038,323	\$ 1,021,004	\$ 985,531	\$ 983,404	\$ 915,415	\$ 955,099
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	40.33 %	65.18 %	28.47 %	0.29 %	89.40 %	24.20 %	12.01 %	32.41 %	66.01 %	13.57 %
Plan fiduciary net position as a percentage of the total pension liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

*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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 465,546	\$ 498,908	\$ 462,686	\$ 452,327	\$ 412,537	\$ 491,766	\$ 439,495	\$ 519,292	\$ 578,850	\$ 742,237
Contributions in relation to the contractually required contribution	465,546	498,908	462,686	452,327	412,537	491,766	439,495	519,292	578,850	742,237
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,084,431	\$ 4,848,477	\$ 4,721,284	\$ 4,746,345	\$ 4,656,170	\$ 4,630,562	\$ 4,484,643	\$ 4,596,387	\$ 4,696,482	\$ 4,607,840
Contributions as a percentage of covered payroll	9%	10%	10%	10%	9%	11%	10%	11%	12%	16%

Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 169,135	\$ 136,327	\$ 168,667	\$ 150,715	\$ 130,610	\$ 127,146	\$ 127,277	\$ 123,632	\$ 127,108	\$ 147,146
Contributions in relation to the contractually required contribution	169,135	136,327	168,667	150,715	130,610	127,146	127,277	123,632	127,108	147,146
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,365,007	\$ 1,275,552	\$ 1,277,579	\$ 1,169,203	\$ 1,071,500	\$ 1,038,322	\$ 1,044,616	\$ 985,529	\$ 933,859	\$ 940,335
Contributions as a percentage of covered payroll	12%	11%	13%	13%	12%	12%	12%	13%	14%	16%

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 838,640	\$ 720,689	\$ 1,087,416	\$ 954,847	\$ 792,587	\$ 1,338,440	\$ 1,017,251
Interest on total OPEB liability	856,096	745,035	553,116	555,747	708,601	819,311	778,082
Changes in benefit terms	-	-	-	-	-	849,174	-
Differences between expected and actual experience	-	(256,477)	-	(2,828,588)	-	5,134,565	(38,108)
Changes of assumptions or other inputs	(973,126)	1,718,820	(5,170,733)	2,344,171	3,934,552	(13,997,593)	-
Benefit payments	(619,360)	(655,574)	(674,652)	(721,933)	(669,844)	(656,453)	(751,028)
Net change in total OPEB liability	102,250	2,272,493	(4,204,853)	304,244	4,765,896	(6,512,556)	1,006,197
Total OPEB liability, beginning	22,922,950	20,650,457	24,855,310	24,551,066	19,785,170	26,297,726	25,291,529
Total OPEB liability, ending	<u>\$ 23,025,200</u>	<u>\$ 22,922,950</u>	<u>\$ 20,650,457</u>	<u>\$ 24,855,310</u>	<u>\$ 24,551,066</u>	<u>\$ 19,785,170</u>	<u>\$ 26,297,726</u>
Covered employee payroll	\$ 5,605,320	\$ 5,605,320	\$ 5,488,197	\$ 5,488,197	\$ 5,067,979	\$ 5,067,979	\$ 5,787,125
Total OPEB liability as a percentage of covered employee payroll	410.77%	408.95%	376.27%	452.89%	484.44%	390.40%	454.42%
Discount rate	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	5.8 to 3.80% over 51 years	5.8 to 3.80% over 51 years	5.3 to 4.1% over 55 years	5.3 to 4.1% over 55 years	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
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 12,664,093
Additions:		
Prior year's encumbrances		65,778
Original Budget		12,729,871
Budget revisions		151,878
Final Budget		\$ 12,881,749

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2024-2025 voter-approved expenditure budget		\$ 13,099,796
Maximum allowed (4% of 2024-2025 budget)		\$ 523,992
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 696,173	
Unassigned fund balance	523,992	
		\$ 1,220,165
Less:		
Appropriated fund balance	590,210	
Encumbrances	105,963	
Total adjustments		696,173
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 523,992
Actual Percentage		4.00%

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For the Year Ended June 30, 2024

TENTATIVE DRAFT

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2024
	June 30, 2023	June 30, 2024	Prior Years	Current Year	Total		Proceeds of Debt	State Aid	Local Sources	Total	
District-wide improvements	\$ 250,000	\$ 250,000	\$ 250,000	\$	\$ 250,000	\$ -	\$	\$ 250,000	\$ 250,000	\$ -	
Repair Reserve 2021											
Septic system project	<u>1,250,000</u>	<u>1,250,000</u>	<u>600,881</u>	<u>649,119</u>	<u>1,250,000</u>	<u>-</u>		<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>	
Totals	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 850,881</u>	<u>\$ 649,119</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2024

Capital assets, net	<u>\$ 9,004,905</u>
Deduct:	
Short-term portion of bonds payable	265,000
Long-term portion of bonds payable	1,250,000
Short-term portion of installment purchase debt payable	8,137
Long-term portion of installment purchase debt payable	9,718
Short-term portion of energy performance contract payable	68,555
Long-term portion of energy performance contract payable	<u>454,683</u>
	<u>2,056,093</u>
Net Investment in Capital Assets	<u><u>\$ 6,948,812</u></u>



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 the aggregate remaining fund information of the Shelter Island Union Free School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2024.

Report on 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 item 2024-001.

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.

Hauppauge, New York
October 11, 2024

TENTATIVE DRAFT
SHELTER ISLAND UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

Findings - Financial Statement Audit

2024-001 The submission of the Annual Financial Report on Form ST-3 to the New York State Education Department did not occur until subsequent to the filing deadline.

Condition: The District did not fulfill its annual reporting requirement to the New York State Education Department in accordance with the requisite due date.

Criteria: The New York State Education Department required that the District submit its Annual Financial Report on Form ST-3 by September 2, 2024.

Effect: The District did not fulfill its New York State Education Department report requirement as of the required submission date.

Cause: Information necessary to complete the submission was not readily available, therefore, the Annual Financial Report on Form ST-3 was not prepared on a timely basis.

Recommendation: The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

Response: The District is in agreement with this finding and will ensure procedures are in effect to comply with such requirements in the future.

TENTATIVE DRAFT
SHELTER ISLAND UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Findings - Financial Statement Audit

2023-001 Recommendation - The District should implement procedures to monitor fund balance throughout the year to comply with New York State requirements.

Status - We noted this recommendation was implemented.

2023-002 Recommendation - The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

Status - We noted this recommendation was not implemented.