



**SHELTER ISLAND  
UNION FREE SCHOOL DISTRICT**

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

June 30, 2025

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
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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, 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, 2025, 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, each major fund, and the aggregate remaining fund information of the Shelter Island Union Free School District as of June 30, 2025, 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.

# NawrockiSmith

## ***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 4-18 and 57-61, 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.

# NawrockiSmith

## ***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 is presented for purposes of additional analysis and is 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2025, 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.

## ***Change in Accounting Principle***

As described in Note 2 to the financial statements, in fiscal 2025 the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 101, Compensated Absences. The effect of GASB Statement No. 101 required a restatement to the financial statements. Our opinion is not modified with respect to this matter.

Hauppauge, New York  
October 10, 2025

*Nawrocki Smith LLP*

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

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The Shelter Island Union Free School District's ("the 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, 2025 in comparison with the year ended June 30, 2024, 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 2025 are as follows:

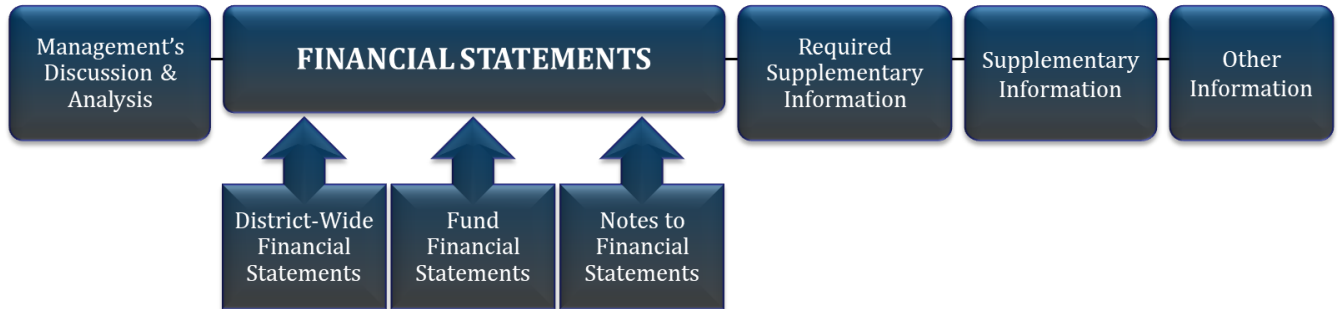
- The District's total net position, as reflected in the district-wide financial statements, decreased by \$280,859 or 17.44% to \$17,598,683. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- For the fiscal year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The implementation of this statement resulted in an increase in compensated absences payable and decrease in total net position of \$39,059.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$13,121,518. Of this amount, \$250,020 was offset by program charges for services, and operating grants and contributions. General revenues of \$12,590,639 amount to 98.05% 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 \$1,953,390 at June 30, 2025. This balance represents a \$685,860 (25.99%) decrease from the prior year, due to an excess of expenditures and other financing uses over revenues, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
  - Restricted fund balances decreased by \$445,602, due to the use of the repair reserve to fund security upgrades, use of the Project F.I.T. Capital Reserve to fund the reconstruction of the roof at the F.I.T. Center, and the use of the employee benefit accrued liability reserve the fund retirement payouts.
  - Assigned fund balance decreased \$150,914 due to a decrease in outstanding encumbrances, and a decrease in the amount of fund balance appropriated to fund the 2026 budget.
  - Unassigned fund balance decreased by \$89,344 to \$434,648.
- The District's 2025 property tax levy of \$11,496,884 was a 2.32% increase over the 2024 tax levy and was equal to the tax cap.

**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 (RSI), 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)

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**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)

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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. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, special aid fund, and capital projects fund, since the District has elected to report them as major funds. Combining information for the nonmajor funds can be found elsewhere in this report.

The District adopts an annual budget for the general fund. A budgetary comparison statement has been provided for the general fund within the RSI to demonstrate compliance with the budget.

Fiduciary Fund

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. The District has met its fiduciary responsibility of collecting and distributing property taxes and PILOT on behalf of other governments.

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

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

**A. Net Position**

The District's total net position deficit increased by \$319,918 between fiscal year 2024 and 2025. In addition, due to a change in accounting principle, an additional decrease of \$39,059 is reflected in the ending net position. The impact of the change in accounting principle was not required to be restated in the MD&A. 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:

	2025	2024	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 3,205,851	\$ 3,762,383	\$ (556,532)	(14.79)%
Capital Assets, Net	8,554,453	9,004,905	(450,452)	(5.00)%
Net Pension Assets - Proportionate Share	753,567	-	753,567	N/A
<b>Total Assets</b>	<b>12,513,871</b>	<b>12,767,288</b>	<b>(253,417)</b>	<b>(1.98)%</b>
<b>Deferred Outflows of Resources</b>	<b>8,637,726</b>	<b>7,664,140</b>	<b>973,586</b>	<b>12.70 %</b>
<b>Liabilities</b>				
Current and Other Liabilities	1,007,274	876,530	130,744	14.92 %
Long-Term Liabilities	3,098,415	3,284,902	(186,487)	(5.68)%
Total OPEB Liability	23,054,993	23,025,200	29,793	0.13 %
Net Pension Liabilities - Proportionate Share	546,042	814,534	(268,492)	(32.96)%
<b>Total Liabilities</b>	<b>27,706,724</b>	<b>28,001,166</b>	<b>(294,442)</b>	<b>(1.05)%</b>
<b>Deferred Inflows of Resources</b>	<b>11,043,556</b>	<b>9,709,027</b>	<b>1,334,529</b>	<b>13.75 %</b>
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	6,840,051	6,948,812	(108,761)	(1.57)%
Restricted	1,809,511	1,456,691	352,820	24.22 %
Unrestricted (Deficit)	(26,248,245)	(25,684,268)	(563,977)	2.20 %
<b>Total Net Position (Deficit)</b>	<b>\$ (17,598,683)</b>	<b>\$ (17,278,765)</b>	<b>\$ (319,918)</b>	<b>1.85 %</b>

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

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The "Capital Assets" Note provides additional information.

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) net pension assets, at the measurement date of the respective year. In the

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

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current year, the District's proportionate share switched from a liability to an asset. This change was driven by strong market performance. The "Pension Plans – New York State" Note 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 increase in current and other liabilities is mainly due to increases in accounts payable and amounts due to TRS, offset by decreases in accrued liabilities and amounts due to other governments.

The decrease in long-term liabilities is due to the repayment of the current maturity of indebtedness, offset by increases in compensated absences, termination benefits, and workers' compensation liabilities. In addition, the long-term liabilities reflect a \$39,059 increase in the compensated absences liability as of July 1, 2024, as a result of the implementation of GASB Statement No 101, *Compensated Absences*.

Total OPEB liability increased based on the actuarial valuation of the plan. The "Postemployment Healthcare Benefits" Note provides additional information.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's (ERS) net pension liability at the measurement date. The net change in the net pension liability – proportionate share is the result of an increase in the proportionate share for the ERS, which was due to the net result of several factors, including increases in benefits earned by active employees, cost-of-living adjustments, and an increase in the number of retirees, resulting in larger benefit payments, offset by the switch in the TRS net pension liability – proportionate share to an asset. The "Pension Plans – New York State" Note 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 amount relates to the District's reserves, which increased over the prior year, mainly due to amounts restricted for pension and interest earnings, offset by the use of 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. The unrestricted (deficit) amount also reflects a decrease of \$39,059 as of July 1, 2024, as a result of the change in the compensated absences liability due to the implementation of GASB Statement No. 101.

## **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, 2025 and 2024 is as follows:

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

	2025	2024	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 28,827	\$ 15,959	\$ 12,868	80.63 %
Operating Grants & Contributions	221,193	248,745	(27,552)	(11.08)%
General Revenues				
Property Taxes & STAR	11,497,297	11,236,627	260,670	2.32 %
State Sources	698,790	647,680	51,110	7.89 %
Other	394,552	389,075	5,477	1.41 %
Total Revenues	<u>12,840,659</u>	<u>12,538,086</u>	<u>302,573</u>	2.41 %
<b>Expenses</b>				
General Support	2,882,829	2,739,426	143,403	5.23 %
Instruction	9,346,214	9,392,965	(46,751)	(0.50)%
Pupil Transportation	523,999	446,656	77,343	17.32 %
Debt Service - Interest	90,530	102,721	(12,191)	(11.87)%
Food Service Program	277,946	196,506	81,440	41.44 %
Total Expenses	<u>13,121,518</u>	<u>12,878,274</u>	<u>243,244</u>	1.89 %
Change in Net Position	<u>(280,859)</u>	<u>\$ (340,188)</u>	<u>\$ 59,329</u>	(17.44)%
Net Position (Deficit) - Beginning of Year, as Previously Reported	(17,278,765)			
Change in Accounting Principle	<u>(39,059)</u>			
Net Position (Deficit) - Beginning of Year, as Restated	<u>(17,317,824)</u>			
Net Position (Deficit) - End of Year	<u>\$(17,598,683)</u>			

The District's net position decreased by \$280,859 and \$340,188 for the years ended June 30, 2025 and 2024, 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 2024-2025 budget.
- The increase in state sources is chiefly due to the District receiving more in excess cost and BOCES aid, offset by decreases in general aid and lottery aid.
- Other revenue rose primarily due to the District receiving more donations over the prior year.

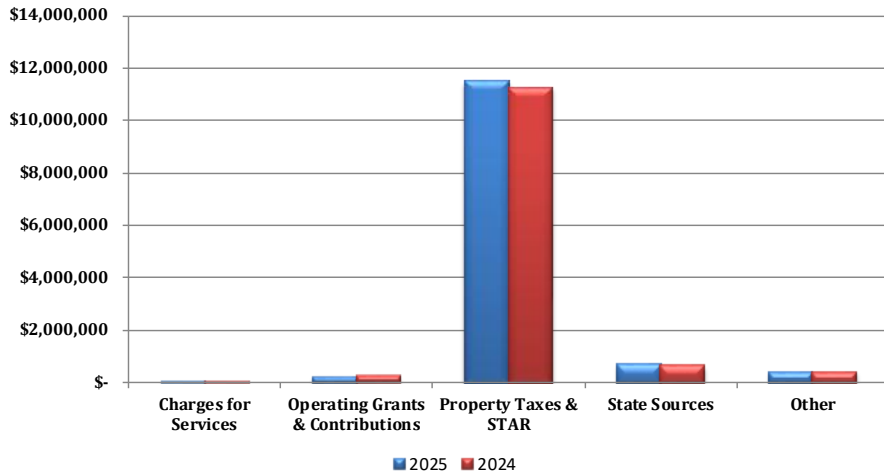
The District's expenses increased when compared to the prior year, primarily due to the following major changes:

- General support 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 the payout of retirement benefits.
- Pupil transportation expenses increased due to a rise in contractual bus expenses.
- The food service program increased due to the growth in the number of students receiving breakfast and lunch, as the meals were free to all students during the year.

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

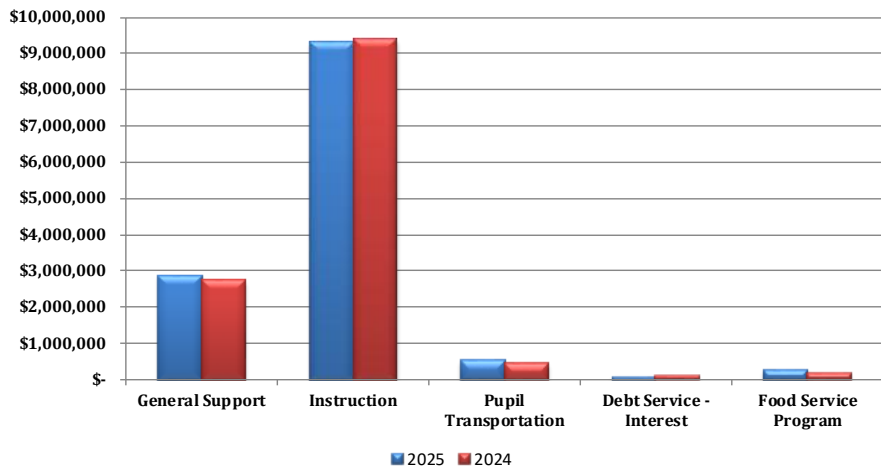
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.5% and 89.6% of the total for the years 2025 and 2024, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 71.2% and 72.9% of the total for the years 2025 and 2024, respectively).

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
<b>2025</b>	0.2%	1.7%	89.5%	5.4%	3.2%
<b>2024</b>	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
<b>2025</b>	22.0%	71.2%	4.0%	0.7%	2.1%
<b>2024</b>	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, 2025, the District's governmental funds reported a combined fund balance of \$2,046,980, which is a decrease of \$687,443 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:

	2025	2024	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Restricted				
Workers' compensation	\$ 5,537	\$ 5,345	\$ 192	3.59 %
Unemployment insurance	161,099	155,516	5,583	3.59 %
Retirement contribution:				
Teachers' retirement system	223,602	322,836	(99,234)	(30.74)%
Employees' retirement system	180,721	270,993	(90,272)	(33.31)%
Employee benefit accrued liability	303,029	335,389	(32,360)	(9.65)%
Capital	2,342	40,703	(38,361)	(94.25)%
Repairs	97,153	288,303	(191,150)	(66.30)%
Assigned:				
Appropriated fund balance	495,174	590,210	(95,036)	(16.10)%
Unappropriated fund balance	50,085	105,963	(55,878)	(52.73)%
Unassigned: Fund balance	434,648	523,992	(89,344)	(17.05)%
	<u>1,953,390</u>	<u>2,639,250</u>	<u>(685,860)</u>	<u>(25.99)%</u>
<b>Capital Projects Fund</b>				
Restricted: Capital	<u>49,823</u>	<u>-</u>	<u>49,823</u>	N/A
<b>School Food Service Fund</b>				
Nonspendable: Inventory	<u>-</u>	<u>2,942</u>	<u>(2,942)</u>	(100.00)%
<b>Extraclassroom Activities Fund</b>				
Assigned: Unappropriated fund balance	<u>-</u>	<u>54,625</u>	<u>(54,625)</u>	(100.00)%
<b>Scholarships Fund</b>				
Restricted: Scholarships	<u>-</u>	<u>37,606</u>	<u>(37,606)</u>	(100.00)%
<b>Nonmajor Funds</b>				
Nonspendable: Inventory	861	-	861	N/A
Restricted: Scholarships	32,638	-	32,638	N/A
Assigned: Unappropriated fund balance	10,268	-	10,268	N/A
	<u>43,767</u>	<u>-</u>	<u>43,767</u>	N/A
Total Fund Balance	<u>\$ 2,046,980</u>	<u>\$ 2,734,423</u>	<u>\$ (687,443)</u>	<u>(25.14)%</u>

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

**A. General Fund**

The general fund – fund balance is a net decrease of \$685,860, compared to a increase of \$87,556 in 2024, as expenditures and other financing uses exceeded revenues.

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

	2025	2024	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	\$ 11,497,297	\$ 11,236,627	\$ 260,670	2.32 %
Other Local Sources	291,288	301,161	(9,873)	(3.28)%
State Sources	698,790	647,680	51,110	7.89 %
Federal Sources	-	36,014	(36,014)	(100.00)%
	<u>\$ 12,487,375</u>	<u>\$ 12,221,482</u>	<u>\$ 265,893</u>	2.18 %

- Property taxes and STAR increased due to a rise in the tax levy in accordance with the 2024-2025 budget.
- State sources increased as the District recognized more excess cost and BOCES aid than it had in the prior year.
- Federal sources decreased as the District received federal emergency management agency (FEMA) aid. The District did not receive similar assistance in the current year.

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

	2025	2024	Increase (Decrease)	Percentage Change
General Support	\$ 2,266,406	\$ 2,032,395	\$ 234,011	11.51 %
Instruction	6,157,413	5,777,084	380,329	6.58 %
Pupil Transportation	523,999	446,656	77,343	17.32 %
Employee Benefits	3,628,372	3,318,853	309,519	9.33 %
Debt Service	433,144	432,642	502	0.12 %
Other Financing Uses	163,901	126,296	37,605	29.78 %
	<u>\$ 13,173,235</u>	<u>\$ 12,133,926</u>	<u>\$ 1,039,309</u>	8.57 %

- Instruction increased due to routine salary and step increases.
- Employee benefits increased chiefly due to the rise in health insurance premiums and higher contributions to the TRS and ERS.
- General support increased primarily due to expenditures for various security upgrades funded by the 2020 repair reserve
- Pupil transportation increased due to higher transportation rates.

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

- Other financing uses Other financing uses increased as in the current year, the District transferred \$49,823 to the capital projects fund to fund the roof reconstruction project at the F.I.T. Center, whereas, in the prior year, the District did not have transfers into the capital projects fund.

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

	Balance June 30, 2024	Use of Reserves	Interest	Funding	Balance June 30, 2025
Workers' compensation	\$ 5,345	\$	\$ 192	\$	\$ 5,537
Unemployment insurance	155,516		5,583		161,099
Retirement contribution:					
Teachers'	322,836	(110,824)	11,590		223,602
Employees'	270,993	(100,000)	9,728		180,721
EBALR	335,389	(44,400)	12,040		303,029
Capital	40,703	(49,822)	1,461	10,000	2,342
Repairs	288,303	(201,499)	10,349		97,153
	<u>\$ 1,419,085</u>	<u>\$ (506,545)</u>	<u>\$ 50,943</u>	<u>\$ 10,000</u>	<u>\$ 973,483</u>

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

**B. Special Aid Fund**

The special aid fund revenues decreased \$32,535 or 23.86% from the prior year as expenditures incurred for programs for children were less.

**C. Capital Projects Fund**

The capital projects fund – fund balance net increase is the result of general fund budgeted transfers.

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

	Balance June 30, 2024	Use of Reserves	Funding	Balance June 30, 2025
F.I.T. Center Capital Reserve	\$ -	\$ -	\$ 49,823	\$ 49,823

**D. Reclassification of Major Funds to Nonmajor Funds**

During the year ended June 30, 2025, the District reclassified the school food service, extraclassroom activities, and scholarships funds from major funds to nonmajor funds. This change is a voluntary presentation change made to improve the clarity of the financial statements and has no impact on the overall governmental fund balances. The funds were previously presented as major funds, but changes in financial activity during the current year now justify the nonmajor classification.

**E. Nonmajor Funds**

The net change in the nonmajor funds – fund balance is a decrease of \$51,406, compared to a decrease of \$2,290 in 2024, as expenditures of \$414,245 exceeded revenues and other financing sources of \$362,839.

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

Revenues increased \$69,215 or 38.4% over the prior year. This increase was mainly due to a rise in state and federal aid for the food service program as well as the District receiving more in donations compared to the prior year.

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

	Balance June 30, 2024	Use of Reserves	Interest	Funding	Balance June 30, 2025
Scholarships	\$ 37,606	\$ (30,450)	\$ 365	\$ 25,117	\$ 32,638

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2024-2025 Budget**

The District's general fund adopted budget for the year ended June 30, 2025 was \$13,099,796. This amount was increased by encumbrances carried forward from the prior year, in the amount of \$105,963 and budget revisions in the amount of \$309,369, for a total final budget of \$13,515,128.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$11,496,884 in estimated property taxes and STAR.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues 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	\$ 523,992
Revenues Over Budget	174,965
Expenditures, Other Financing Uses, and Encumbrances Under Budget	291,808
Allocation to Reserves	(60,943)
Appropriated to Fund the June 30, 2026 Budget	(495,174)
Closing, Unassigned Fund Balance	\$ 434,648

Opening, Unassigned Fund Balance

The \$523,992 shown in the table is the portion of the District's June 30, 2024 fund balance that was retained as unassigned fund balance.

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

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Revenues Over Budget

The 2024-2025 final budget for revenues was \$12,312,410. Actual revenues recognized for the year were \$12,487,375. The excess of actual revenues over estimated revenues was \$174,965, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2024 to June 30, 2025. 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 2024-2025 final budget for expenditures and other financing uses was \$13,515,128. Actual expenditures and other financing uses as of June 30, 2025 were \$13,173,235 and outstanding encumbrances were \$50,085. Combined, the expenditures plus encumbrances for 2024-2025 were \$13,223,320. The final budget variance was \$291,808, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2024 to June 30, 2025. 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 \$495,174 of the available June 30, 2025 unassigned fund balance to partially fund the 2025-2026 approved operating budget. As such, the June 30, 2025 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, 2025 was \$434,648. This is a decrease of \$89,344 from the unassigned fund balance as of June 30, 2024 and equals 3.27% of the 2025-2026 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, 2025, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$515,691 in excess of capital outlays and other additions of \$65,239 for the year ended June 30, 2025. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2025 and 2024 is as follows:

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

	2025	2024	Increase (Decrease)
Land	\$ 25,200	\$ 25,200	\$ -
Buildings and improvements	6,500,333	6,827,581	(327,248)
Site improvements	1,541,147	1,623,001	(81,854)
Furniture and equipment	487,773	529,123	(41,350)
Capital assets, net	<u>\$ 8,554,453</u>	<u>\$ 9,004,905</u>	<u>\$ (450,452)</u>

**B. Debt Administration**

At June 30, 2025, the District had combined total debt of \$1,714,402. The decreases in outstanding debt represent principal payments made throughout the year. A summary of outstanding debt at June 30, 2025 and 2024 is as follows:

	Issue Date	Interest Rate	2025	2024	Increase (Decrease)
<b>Bonds Payable</b>					
	7/26/2012	2.0-2.5%	\$ 605,000	\$ 750,000	\$ (145,000)
	12/1/2015	2.0-3.0%	645,000	765,000	(120,000)
			<u>\$ 1,250,000</u>	<u>\$ 1,515,000</u>	<u>\$ (265,000)</u>
<b>Installment Purchase Debt</b>					
	7/1/2022	7/24/2026	<u>\$ 9,718</u>	<u>\$ 17,855</u>	<u>\$ (8,137)</u>
<b>Energy Performance Contract</b>					
	3/21/2016	2.85%	<u>\$ 454,684</u>	<u>\$ 523,238</u>	<u>\$ (68,554)</u>

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, total OPEB liability, and net pension liabilities – proportionate share, which are based on actuarial valuations. The compensated absences liability, at June 30, 2025, includes the effect of the implementation of GASB Statement No. 101. The net change in the net pension liabilities – proportionate share reflects the change in the TRS from a liability to an asset as previously discussed. A summary of the outstanding other long-term liabilities at June 30, 2025 and 2024 is as follows:

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

	2025	2024	Increase (Decrease)
Compensated absences payable	\$ 854,626	\$ 731,523	\$ 123,103
Workers' compensation liabilities	62,599	53,308	9,291
Termination benefits	466,788	443,978	22,810
Total OPEB liability	23,054,993	23,025,200	29,793
Net pension liabilities - proportionate share	546,042	814,534	(268,492)
	\$ 24,985,048	\$ 25,068,543	\$ (83,495)

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on June 17, 2025, for the year ending June 30, 2026, is \$13,298,131. This is an increase of \$198,335 or 1.51% over the previous year's adopted budget.

The District budgeted revenues other than property taxes and STAR at a \$47,847 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$495,174 is a \$95,036 decrease from the previous year. Additionally, the District has elected to appropriate \$211,000 of reserves towards the next year's budget, an increase of \$176. A property tax increase of \$245,348 (2.13%), 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.

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

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**C. Tax Cap**

New York State law limits the annual increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation plus additional statutory adjustments to the tax levy limit. School districts may override the tax levy limit (tax cap) by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit; however, that budget must be approved by at least 60% of the votes cast. Based on the law, the District's tax cap for 2025-2026 is 2.13%. The District's property tax levy increase was equal to the tax cap and did not require an override vote.

**8. CONTACTING THE DISTRICT**

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

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

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2025

**ASSETS**

Cash and cash equivalents	
Unrestricted	\$ 1,849,799
Restricted	1,055,944
Receivables	
Accounts receivable	661
Due from state and federal	78,715
Due from other governments	62,361
Other assets	157,510
Inventories	861
Capital assets:	
Not being depreciated	25,200
Being depreciated, net of accumulated depreciation	8,529,253
Net pension assets - proportionate share	<u>753,567</u>
Total Assets	<u>12,513,871</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	2,203,900
Other postemployment benefits	<u>6,433,826</u>
Total Deferred Outflows of Resources	<u>8,637,726</u>

**LIABILITIES**

Payables	
Accounts payable	274,081
Accrued liabilities	16,077
Due to other governments	21,404
Due to teachers' retirement system	612,489
Due to employees' retirement system	53,866
Other liabilities	8,907
Unearned credits: collections in advance	20,450
Long-term liabilities	
Due and payable within one year	
Bonds payable	270,000
Installment purchase debt payable	8,935
Energy performance contract payable	70,523
Compensated absences payable	70,068
Workers' compensation liabilities	62,599
Total other postemployment benefits liability	973,159
Due and payable after one year	
Bonds payable	980,000
Installment purchase debt payable	783
Energy performance contract payable	384,161
Compensated absences payable	784,558
Termination benefits	466,788
Total other postemployment benefits liability	22,081,834
Net pension liabilities - proportionate share	<u>546,042</u>
Total Liabilities	<u>27,706,724</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	987,652
Other postemployment benefits	<u>10,055,904</u>
Total Deferred Inflows of Resources	<u>11,043,556</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>6,840,051</u>
Restricted	
Workers' compensation	5,537
Unemployment insurance	161,099
Retirement contribution	
Teachers' retirement system	223,602
Employees' retirement system	180,721
Employee benefit accrued liability	303,029
Capital	52,165
Repairs	97,153
Scholarships	32,638
Pension	<u>753,567</u>
	<u>1,809,511</u>
Unrestricted (Deficit)	<u>(26,248,245)</u>
Total Net Position (Deficit)	<u>\$ (17,598,683)</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 2,882,829	\$	\$	\$ (2,882,829)
Instruction	9,346,214		128,936	(9,217,278)
Pupil transportation	523,999			(523,999)
Debt service - interest	90,530			(90,530)
Food service program	277,946	28,827	92,257	(156,862)
Total Functions and Programs	\$ 13,121,518	\$ 28,827	\$ 221,193	(12,871,498)
<b>GENERAL REVENUES</b>				
Real property taxes				11,430,447
Other real property tax items				137,665
Use of money and property				105,560
Miscellaneous				218,177
State sources				698,790
Total General Revenues				12,590,639
Change in Net Position				(280,859)
Total Net Position (Deficit) - Beginning of Year, as Previously Reported				(17,278,765)
Change in Accounting Principle				(39,059)
Total Net Position (Deficit) - Beginning of Year, as Restated				(17,317,824)
Total Net Position (Deficit) - End of Year				\$ (17,598,683)

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2025

	General	Special Aid	Capital Projects	Formerly Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
				School Food Service	Extraclassroom Activities	Scholarships		
<b>ASSETS</b>								
Cash and cash equivalents								
Unrestricted	\$ 1,776,906	\$ 873	\$ 2,711	\$ -	\$ -	\$ -	\$ 69,309	\$ 1,849,799
Restricted	1,023,370						32,574	1,055,944
Receivables								
Accounts payable							661	661
Due from other funds	82,926		49,823				64	132,813
Due from state and federal	21,969	49,501					7,245	78,715
Due from other governments	62,145	216						62,361
Inventories							861	861
Total Assets	<u>\$ 2,967,316</u>	<u>\$ 50,590</u>	<u>\$ 52,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,714</u>	<u>\$ 3,181,154</u>
<b>LIABILITIES</b>								
Payables								
Accounts payable	\$ 253,492	\$ 4,901	\$ -	\$ -	\$ -	\$ -	\$ 15,688	\$ 274,081
Accrued liabilities	10,164							10,164
Due to other funds	49,887	37,026	2,711				43,189	132,813
Due to other governments	20,128						1,276	21,404
Due to teachers' retirement system	612,489							612,489
Due to employees' retirement system	53,866							53,866
Other liabilities	8,907							8,907
Unearned credits								
Collections in advance	4,993	8,663					6,794	20,450
Total Liabilities	<u>1,013,926</u>	<u>50,590</u>	<u>2,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,947</u>	<u>1,134,174</u>
<b>FUND BALANCES</b>								
Nonspendable: Inventories							861	861
Restricted:								
Workers' compensation	5,537							5,537
Unemployment insurance	161,099							161,099
Retirement contribution:								
Teachers' retirement system	223,602							223,602
Employees' retirement system	180,721							180,721
Employee benefit accrued liability	303,029							303,029
Capital	2,342		49,823					52,165
Repairs	97,153							97,153
Scholarships							32,638	32,638
Assigned:								
Appropriated fund balance	495,174							495,174
Unappropriated fund balance	50,085						10,268	60,353
Unassigned: Fund balance	434,648							434,648
Total Fund Balances	<u>1,953,390</u>	<u>-</u>	<u>49,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,767</u>	<u>2,046,980</u>
Total Liabilities and Fund Balances	<u>\$ 2,967,316</u>	<u>\$ 50,590</u>	<u>\$ 52,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,714</u>	<u>\$ 3,181,154</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the District-wide Statement of Net Position**  
June 30, 2025

Total Governmental Fund Balances \$ 2,046,980

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. 157,510

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	\$ 18,128,290	
Less: Accumulated depreciation	<u>(9,573,837)</u>	8,554,453

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

Deferred outflows of resources	2,203,900	
Net pension asset - teachers' retirement system	753,567	
Net pension liability - employees' retirement system	(546,042)	
Deferred inflows of resources	<u>(987,652)</u>	1,423,773

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	6,433,826	
Total other postemployment benefits liability	(23,054,993)	
Deferred inflows of resources	<u>(10,055,904)</u>	(26,677,071)

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	(5,913)	
Bonds payable	(1,250,000)	
Installment purchase debt payable	(9,718)	
Energy performance contract payable	(454,684)	
Compensated absences payable	(854,626)	
Workers' compensation liabilities	(62,599)	
Termination benefits	<u>(466,788)</u>	(3,104,328)

Total Net Position (Deficit) \$ (17,598,683)

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended June 30, 2025

	General	Special Aid	Capital Projects	Formerly Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
				School Food Service	Extraclassroom Activities	Scholarships		
<b>REVENUES</b>								
Real property taxes	\$ 11,430,447	\$	\$	\$	\$	\$	\$	\$ 11,430,447
Other real property tax items	137,665							137,665
Use of money and property	104,744						816	105,560
Miscellaneous	115,729						132,565	248,294
State sources	698,790	2,816					35,088	736,694
Federal sources		101,003					52,169	153,172
Sales							28,827	28,827
<b>Total Revenues</b>	<b>12,487,375</b>	<b>103,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,465</b>	<b>12,840,659</b>
<b>EXPENDITURES</b>								
General support	2,266,406							2,266,406
Instruction	6,157,413	104,523					132,706	6,394,642
Pupil transportation	523,999							523,999
Employee benefits	3,628,372						31,165	3,659,537
Debt service								
Principal	341,691							341,691
Interest	91,453							91,453
Food service program							250,374	250,374
<b>Total Expenditures</b>	<b>13,009,334</b>	<b>104,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>414,245</b>	<b>13,528,102</b>
Excess of Revenues Over (Under) Expenditures	<u>(521,959)</u>	<u>(704)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(164,780)</u>	<u>(687,443)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>								
Operating transfers in		704	49,823				113,374	163,901
Operating transfers (out)	<u>(163,901)</u>							<u>(163,901)</u>
<b>Total Other Financing Sources and (Uses)</b>	<u>(163,901)</u>	<u>704</u>	<u>49,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,374</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<b>(685,860)</b>	<b>-</b>	<b>49,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(51,406)</b>	<b>(687,443)</b>
Fund Balances - Beginning of Year, as Previously Reported	2,639,250	-	-	2,942	54,625	37,606	-	2,734,423
Change to or Within Reporting Entity				<u>(2,942)</u>	<u>(54,625)</u>	<u>(37,606)</u>	95,173	-
Fund Balances - Beginning of Year, as Restated	<u>2,639,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,173</u>	<u>2,734,423</u>
Fund Balances - End of Year	<u>\$ 1,953,390</u>	<u>\$ -</u>	<u>\$ 49,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,767</u>	<u>\$ 2,046,980</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the District-wide Statement of Activities**  
For the Year Ended June 30, 2025

Net Change in Fund Balances \$ (687,443)

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

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by a third-party administrator decreased in the period. \$ (756)

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	(84,044)
Increase in workers' compensation liabilities	(9,291)
Increase in termination benefits	<u>(22,810)</u>

(116,901)

Capital Related Differences

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

Capital outlays and other additions	65,239
Depreciation expense	<u>(515,691)</u>

(450,452)

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	265,000
Installment purchase debt payable	8,137
Energy performance contract payable	68,554

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, 2024 to June 30, 2025. 923

342,614

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	85,940
Employees' retirement system	67,794
Other postemployment benefits	<u>477,589</u>

631,323

Change in Net Position of Governmental Activities \$ (280,859)

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
June 30, 2025

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

**Statement of Changes in Fiduciary Net Position - Fiduciary Fund**  
For the Year Ended June 30, 2025

	Custodial
<b>ADDITIONS</b>	
Real property taxes and PILOT collected for the Library	\$ 833,790
<b>DEDUCTIONS</b>	
Disbursements of real property taxes and PILOT to the Library	833,790
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Shelter Island Union Free School District (“the 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 (“the 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 the 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 shares planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the New York State Education Law (“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 Education Law. All BOCES property is held by the BOCES board as a corporation under §1950(6). In addition, BOCES boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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 costs is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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**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 are generally 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 any.

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 the fiduciary fund. 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 government that provides the funds, or outside parties.

**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.

The following are the District's nonmajor governmental funds:

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

**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.

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

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**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)

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**E. Real Property Taxes and Other Tax Items**

Calendar

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

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

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**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 GAAP 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, potential contingent liabilities, and useful lives of capital assets.

**J. Cash and Cash Equivalents**

Cash and cash equivalents consists of cash on hand, bank deposits, and investments with an original maturity date of 90 days 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 recorded when the transaction takes place, and the respective revenues are recognized as earned in the district-wide financial statements, and when available in the fund financial statements. 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 liabilities 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)

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**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 nonmajor funds (school food service). 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.

In the district-wide financial statements, the District recognizes a liability for compensated absences, including vacation and sick leave, when employees have earned the right to the leave and it is more likely than not that the leave will be used for time off or otherwise paid in cash, or settled through other means. The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability is measured at the employee's pay rate at the reporting date, including salary-related payments, such as social security and Medicare taxes.

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

**T. Other Benefits**

Eligible District employees participate in the TRS or the ERS.

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

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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.

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 postemployment 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 as set forth by GASB.

#### **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)

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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 nonmajor funds (school food service).

*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. 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.

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

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*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 requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the general fund and capital projects fund.

*Repairs Reserve*

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board, without voter approval, may establish a repair reserve 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 over the next two subsequent fiscal years. This reserve is accounted for in the general fund.

*Restricted for Scholarships*

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

*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)

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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. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used, but not yet paid in cash or settled through noncash means. This liability would include leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash, or settled through noncash means.

See “Changes to or Within Reporting Entity and Change in Accounting Principle” Note for detailed information regarding the restatement.

**3. 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 statements issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2026	GASB No. 103 – <i>Financial Reporting Model Improvements</i>
June 30, 2026	GASB No. 104 – <i>Disclosure of Certain Capital Assets</i>

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.

GASB Statement No. 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosure such as leased assets, intangible right-to-use assets, and assets held for sale.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
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**4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS**

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

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

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

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

**5. 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	\$ 13,648
Roof reconstruction at the F.I.T. Center funded by 2011 Project F.I.T. Capital Reserve	49,821
Security upgrades funded by repair reserve	201,500
Retirement payout funded by the EBALR reserve	<u>44,400</u>
	<u>\$ 309,369</u>

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

**B. Encumbrances**

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

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**C. Over Expenditure of Certain Appropriations**

Certain general fund appropriations were over expended. These were in the following appropriation categories of the budget: general support, instruction, and debt service. The general fund budget in total was not over expended.

**D. Net Position Deficit**

As of June 30, 2025, the governmental activities reported a deficit in net position of \$17,598,683. This deficit is primarily the result of unfunded liabilities such as the District recognizing its proportionate share of the net pension liabilities and total OPEB liabilities on the statement of net position. The accumulated effect of these required recognitions, coupled with the limitations from the state on funding the OPEB liabilities on a “pay as you go” basis, has resulted in a negative unrestricted net position. The District remains committed to its employees and retirees by continuing to make all required contributions to the pension plans and including these amounts in its annual budget to cover its share of the costs of postemployment health insurance coverage.

**6. 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.

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 Articles 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.

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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, 2025, was 46 days and the weighted average life (WAL) was 77 days. These investments are included in cash as follows:

Fund	Carrying Amount
General Fund	\$ 1,245,080

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 Rhinebeck. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**7. PARTICIPATION IN BOCES**

During the year ended June 30, 2025, the District was billed \$317,302 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$62,145. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**8. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2025, consisted of:

General Fund	
New York State - excess cost aid	\$ 21,969
Special Aid Fund	
Federal and state grants	49,501
Nonmajor Funds	
Federal and state food service program reimbursements	7,245
	\$ 78,715

District management expects these amounts to be fully collectible.

**9. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2025, consisted of:

General Fund	
BOCES aid	\$ 62,145
Special aid	216
	\$ 62,361

District management expects these amounts to be fully collectible.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2025, were as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 82,926	\$ 49,887	\$	\$ 163,901
Special Aid Fund		37,026	704	
Capital Projects Fund	49,823	2,711	49,823	
Nonmajor Funds	64	43,189	113,374	
<b>Total Governmental Funds</b>	<b>\$ 132,813</b>	<b>\$ 132,813</b>	<b>\$ 163,901</b>	<b>\$ 163,901</b>

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 transfer to the capital projects fund was to provide funding for the roof reconstruction project at the F.I.T. Center. The District transferred from the general fund to the nonmajor funds (school food service) to subsidize the lunch program.

**11. CAPITAL ASSETS**

**A. Changes**

Capital assets balances and activity for the year ended June 30, 2025, were as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 25,200	\$	\$	\$ 25,200
Capital assets being depreciated:				
Buildings and improvements	14,228,556			14,228,556
Site improvements	2,154,668		(31,440)	2,123,228
Furniture and equipment	1,686,067	65,239		1,751,306
Total capital assets being depreciated	18,069,291	65,239	(31,440)	18,103,090
Less accumulated depreciation for:				
Buildings and improvements	7,400,975	327,248		7,728,223
Site improvements	531,667	81,854	(31,440)	582,081
Furniture and equipment	1,156,944	106,589		1,263,533
Total accumulated depreciation	9,089,586	515,691	(31,440)	9,573,837
Total capital assets, being depreciated, net	8,979,705	(450,452)	-	8,529,253
Capital assets, net	\$ 9,004,905	\$ (450,452)	\$ -	\$ 8,554,453

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

Depreciation expense was charged to governmental functions as follows:

General support	\$ 131,040
Instruction	383,998
Food service program	<u>653</u>
Total depreciation expense	<u>\$ 515,691</u>

**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, 2025, the District has not recorded any such impairment losses.

**12. 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, 2024</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2025</u>
TAN	4/24/2025	3.50%	<u>\$ -</u>	<u>\$ 1,600,000</u>	<u>\$ (1,600,000)</u>	<u>\$ -</u>

The TAN were 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 \$37,111, net of a premium of \$560, to yield an effective interest rate of 3.43%.

**13. LONG-TERM LIABILITIES**

**A. Changes**

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

	<u>*Balance June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2025</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 1,515,000	\$	\$ (265,000)	\$ 1,250,000	\$ 270,000
Installment purchase debt	17,855		(8,137)	9,718	8,935
Energy performance contract	523,238		(68,554)	454,684	70,523
<u>Other long-term liabilities:</u>					
Compensated absences*	770,582	84,044		854,626	70,068
Workers' compensation	53,308	18,910	(9,619)	62,599	62,599
Termination benefits	443,978	22,810		466,788	
Total OPEB liability	<u>23,025,200</u>	<u>29,793</u>		<u>23,054,993</u>	<u>973,159</u>
	<u>\$ 26,349,161</u>	<u>\$ 155,557</u>	<u>\$ (351,310)</u>	<u>\$ 26,153,408</u>	<u>\$ 1,455,284</u>

\* The beginning balance of compensated absences of \$731,523, as previously reported, was increased by \$39,059 to present the cumulative effect of GASB Statement No. 101.

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**NOTES TO FINANCIAL STATEMENTS**  
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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. The maturities of compensated absences and termination benefits are not determinable.

For total OPEB liability, see “Postemployment Healthcare Benefits” Note for additional information.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
2012 Serial Bonds				
- Construction	7/26/2012	6/15/2029	2.0-2.5%	\$ 605,000
2015 Serial Bonds				
- Building improvements	12/1/2015	6/1/2030	2.0-3.0%	<u>645,000</u>
				<u>\$ 1,250,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 1,250,000</u>	<u>\$ 94,687</u>	<u>\$ 1,344,687</u>

**C. Remedies Upon Default in Bond Payments**

The bonds are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and remedies for enforcement of payment are not expressly included in the District’s contract with such owners. Upon default in the payment of principal of or interest on the bonds at the suit of the owner, a court has the power, in proper and appropriate proceedings, to render judgment against the District. A court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds from funds lawfully available therefore or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy.

Section 99-b of the State Finance Law provides for a covenant between New York State and the purchasers and the holders and owners from time to time of the bonds issued by school districts in New York State. In the event a holder or owner of any bond issued by a school district for school purposes shall file with the Office of the New York State Comptroller (OSC), a verified statement describing such bond and alleging

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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default in the payment thereof or the interest thereon or both. The OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such state aid or assistance due to such school district such amount thereof as may be required to pay the principal of and interest on such bonds of such school district then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such state aid or assistance due such school district such amount or amounts thereof as may be required to cure such default.

**D. Installment Purchase Debt**

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
Copier equipment	7/1/2022	7/24/2026	9.40%	<u>\$ 9,718</u>

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 8,935	\$ 535	\$ 9,470
2027	783	6	789
Total	<u>\$ 9,718</u>	<u>\$ 541</u>	<u>\$ 10,259</u>

**E. Energy Performance Contract**

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
Energy efficiency upgrades	3/21/2016	3/15/2031	2.85%	<u>\$ 454,684</u>

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 70,523	\$ 12,460	\$ 82,983
2027	72,547	10,435	82,982
2028	74,628	8,353	82,981
2029	76,771	6,211	82,982
2030	78,974	4,007	82,981
2031	81,241	1,741	82,982
Total	<u>\$ 454,684</u>	<u>\$ 43,207</u>	<u>\$ 497,891</u>

The terms of the energy performance contract provide that, in the event of default, the lessor shall have the right, without terminating the agreement, to declare all rental payments immediately due and payable or repossess any or all of the equipment by giving the lessee written notice to deliver such equipment, or enter the premises to take possession of such equipment and charge the District for costs incurred, or terminate the agreement and take possession of and dispose of equipment with any proceeds applied to costs

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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including attorney fees and the balance of any rental payments owed during the fiscal year. Any disposition proceeds in excess of these amounts shall be paid to the District.

**F. Interest Expense**

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

Interest paid	\$ 54,342
Less interest accrued in the prior year	(6,836)
Plus interest accrued in the current year	<u>5,913</u>
Total interest expense on long-term debt	<u><u>\$ 53,419</u></u>

**14. 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 election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

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obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer 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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.76% of covered payroll for the TRS' fiscal year ended June 30, 2024. The District's average contribution rate was 13.89% of covered payroll for the ERS, fiscal year ended March 31, 2025.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2025, was \$519,860 for TRS at the contribution rate of 10.11% and \$195,533 for ERS at an average contribution rate of 13.83%.

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

At June 30, 2025, 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, 2024, for TRS and March 31, 2025 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, 2024	March 31, 2025	
District's proportionate share of the net pension asset/(liability)	\$ 753,567	\$ (546,042)	
District's portion of the Plan's net pension liability	0.025257%	0.0031847%	
Change in proportion since the prior measurement date	(0.000995)	(0.0003084)	

For the year ended June 30, 2025, the District recognized a pension expense of \$436,683 for TRS and \$127,738 for ERS. At June 30, 2025, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 811,454	\$ 135,531	\$	\$ 6,393
Changes of assumptions	450,786	22,900	75,826	
Net difference between projected and actual earnings on pension plan investments		42,841	837,277	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	100,245	66,417	9,351	58,805
District contributions subsequent to the measurement date	519,860	53,866		
<b>Total</b>	<b>\$ 1,882,345</b>	<b>\$ 321,555</b>	<b>\$ 922,454</b>	<b>\$ 65,198</b>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. 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
2026	\$ (367,352)	\$ 105,410
2027	944,484	138,317
2028	(131,543)	(47,207)
2029	(153,451)	5,971
2030	105,711	
Thereafter	42,182	
	<b>\$ 440,031</b>	<b>\$ 202,491</b>

**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, 2024	March 31, 2025
Actuarial valuation date	June 30, 2023	April 1, 2024
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.30%
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, 2024 and June 30, 2023, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31,

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

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.

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, 2024		March 31, 2025	
Asset class				
Domestic equity	33.0%	6.60%	25.0%	3.54%
International equity	15.0%	7.40%	14.0%	6.57%
Global equity	4.0%	6.90%		
Real estate equity	11.0%	6.30%	12.0%	4.95%
Private equity	9.0%	10.00%	15.0%	7.25%
Alternative investments			11.0%	5.25-5.55%
Domestic fixed income	16.0%	2.60%		
High-yield bonds	1.0%	4.80%		
Global bonds	2.0%	2.50%		
Fixed income			22.0%	2.00%
Private debt	2.0%	5.90%		
Real estate debt	6.0%	3.90%		
Cash equivalents	1.0%	0.50%		
Cash			1.0%	0.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.9% for ERS.

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

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:

TRS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset/(liability)	\$ (3,480,771)	\$ 753,567	\$ 4,314,759
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset/(liability)	\$ (1,580,314)	\$ (546,042)	\$ 317,576

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:

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2024	March 31, 2025
Employers' total pension liability	\$ (142,837,827)	\$ (247,600,239)
Plan fiduciary net position	145,821,435	230,454,512
Employers' net pension asset/(liability)	\$ 2,983,608	\$ (17,145,727)
Ratio of plan fiduciary net position to the employers' total pension liability	102.09%	93.08%

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Payables to the Pension Plan

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2025, are paid to the system in September, October, and November 2025 through a state aid intercept. Accrued retirement contributions as of June 30, 2025, represent employer and employee contributions for the fiscal year ended June 30, 2025, 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, 2025 amounted to \$519,860 of employer contributions and \$92,629 of employee contributions.

For the ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2025, represent the projected employer contribution for the period of April 1, 2025 through June 30, 2025 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$53,866 of employer contributions. Employee contributions are remitted monthly.

**15. 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, 2025, totaled \$199,766.

**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, 2025 totaled \$113,079.

**16. 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.

*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.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Employees Covered by Benefit Terms* – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>57</u>
	<u><u>129</u></u>

**B. Total OPEB Liability**

The District’s total OPEB liability of \$23,054,993 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2023. 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:

Salary increases including inflation	2.40%	
Discount rate	5.20%	
Healthcare cost trend rates	6.60%	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, 2024	<u>\$ 23,025,200</u>
Changes for the year	
Service cost	876,459
Interest on total OPEB liability	921,885
Differences between expected and actual experience	3,469,814
Changes of assumptions or other inputs	(4,341,688)
Benefit payments	<u>(896,677)</u>
Net Change in OPEB Liability	<u>29,793</u>
Balance at June 30, 2025	<u><u>\$ 23,054,993</u></u>

A change in the discount rate from 3.93% in 2024 to 5.20% in 2025.

*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 (4.20%) or 1 percentage point higher (6.20%) than the current discount rate:

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

	1% Decrease	Discount Rate	1% Increase
OPEB	4.20%	5.20%	6.20%
Total OPEB liability	<u>\$(26,424,815)</u>	<u>\$(23,054,993)</u>	<u>\$(20,298,200)</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 (5.60% to 2.80%) or 1 percentage point higher (7.60% to 4.80%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB	5.60% decreasing to 2.80%	6.60% decreasing to 3.80%	7.60% decreasing to 4.80%
Total OPEB liability	<u>\$(19,805,631)</u>	<u>\$(23,054,993)</u>	<u>\$(27,129,458)</u>

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

For the year June 30, 2025, the District recognized OPEB expense of \$419,088. At June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 3,691,783	\$ 1,263,678
Changes of assumptions or other inputs	<u>2,742,043</u>	<u>8,792,226</u>
Total	<u>\$ 6,433,826</u>	<u>\$ 10,055,904</u>

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
2026	\$ (1,379,256)
2027	(653,007)
2028	(805,474)
2029	(486,069)
2030	(143,008)
Thereafter	<u>(155,264)</u>
	<u>\$ (3,622,078)</u>

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

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**17. 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.

**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, 2025, as processed by the EEWCC, is \$62,599. Claims activity is summarized as follows:

	<u>2024</u>	<u>2025</u>
Claims at beginning of year	\$ 46,904	\$ 53,308
Incurred claims and claim adjustment expenses	15,991	18,910
Claims payments and expenses	<u>(9,587)</u>	<u>(9,619)</u>
Claims liabilities at end of year	<u>\$ 53,308</u>	<u>\$ 62,599</u>

The EEWCC is holding \$157,510 of cash on account for the District to satisfy these liabilities at June 30, 2025. In addition, the District has reserved \$5,537 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, 2025. Copies of these statements can be obtained from the District’s Business Office.

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

**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.

**18. CHANGES TO OR WITHIN REPORTING ENTITY AND CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2025, the District reclassified the following major funds to nonmajor funds: school food service fund, extraclassroom activities fund, and scholarship fund. This change is a voluntary presentation change made to improve the clarity of the financial statements and has no impact on the overall governmental fund balances. The funds were previously presented as major funds, but changes in financial activity during the current year now justify the nonmajor classification.

Additionally, for the year ended June 30 2025, the District implemented GASB Statement No. 101, which established a unified recognition and measurement model for compensated absences. Under the new guidance, accumulated time for leave available for use that was previously an unrecorded liability is now recognized.

The following is a summary of these reporting entity and accounting principle changes:

	<u>As Reported June 30, 2024</u>	<u>Changes to or Within Reporting Entity</u>	<u>Change in Accounting Principle</u>	<u>As Restated June 30, 2024</u>
<b>Government-wide</b>				
Compensated absences	\$ 731,523	\$	\$ 39,059	\$ 770,582
Net Position (Deficit)	\$(17,278,765)	\$	\$ (39,059)	\$(17,317,824)
<b>Governmental Funds</b>				
Major Funds				
School Food Service	\$ 2,942	\$ (2,942)	\$	\$ -
Extraclassroom Activities	54,625	(54,625)		-
Scholarships	37,606	(37,606)		-
Nonmajor Funds	-	95,173		95,173
	<u>\$ 95,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,173</u>

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

**19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

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

Retirement contributions		
Teachers' retirement system	\$	111,000
Employees' retirement system		<u>100,000</u>
	\$	<u><u>211,000</u></u>

**20. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$495,174 has been appropriated to reduce taxes for the year ending June 30, 2026.

**21. 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>
<b>General Fund</b>			
Funding Provided	\$ 1,767,000	\$ 47,573	\$ 1,814,573
Interest Earnings	150,063	3,680	153,743
Use of Reserve	<u>(1,916,151)</u>	<u>(49,823)</u>	<u>(1,965,974)</u>
Total General Fund	<u>\$ 912</u>	<u>\$ 1,430</u>	<u>\$ 2,342</u>
<b>Capital Projects Fund</b>			
Funding Provided	\$ -	\$ 49,823	\$ 49,823
Use of Reserve			<u>-</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 49,823</u>	<u>\$ 49,823</u>

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

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**22. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2025, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 49,635
Instruction	<u>450</u>
	<u>\$ 50,085</u>

**B. Grants**

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

**C. Litigation**

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

**23. 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, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 11,496,884	\$ 11,430,034	\$ 11,430,447	\$ 413
Other real property tax items		66,850	137,665	70,815
Use of money and property	107,750	107,750	104,744	(3,006)
Miscellaneous		13,648	115,729	102,081
Total Local Sources	11,604,634	11,618,282	11,788,585	170,303
State Sources	694,128	694,128	698,790	4,662
Total Revenues	12,298,762	12,312,410	12,487,375	\$ 174,965
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	590,210	590,210		
Prior Year's Encumbrances	105,963	105,963		
Appropriated Reserves	210,824	506,545		
Total Appropriated Fund Balance	906,997	1,202,718		
Total Revenues and Appropriated Fund Balance	\$ 13,205,759	\$ 13,515,128		

**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, 2025

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 138,493	\$ 139,993	\$ 137,550		\$ 2,443
Central administration	263,255	268,955	270,506		(1,551)
Finance	444,558	465,972	423,024	43,400	(452)
Staff	63,163	59,453	56,923		2,530
Central services	1,114,550	1,315,396	1,184,319	6,235	124,842
Special items	208,010	194,209	194,084		125
<b>Total General Support</b>	<b>2,232,029</b>	<b>2,443,978</b>	<b>2,266,406</b>	<b>49,635</b>	<b>127,937</b>
Instruction					
Administration and improvement	476,250	453,373	463,981		(10,608)
Teaching - regular school	3,155,039	3,160,308	3,246,739	450	(86,881)
Programs for students with disabilities	1,121,236	1,199,534	1,142,400		57,134
Occupational education	15,718	15,718	16,087		(369)
Teaching - special schools	182,972	182,971	197,158		(14,187)
Instructional media	328,110	327,210	307,014		20,196
Pupil services	808,834	803,875	784,034		19,841
<b>Total Instruction</b>	<b>6,088,159</b>	<b>6,142,989</b>	<b>6,157,413</b>	<b>450</b>	<b>(14,874)</b>
Pupil Transportation	531,777	559,131	523,999		35,132
Employee Benefits	3,792,856	3,776,268	3,628,372		147,896
Debt Service					
Principal	333,555	333,555	341,691		(8,136)
Interest	103,009	85,009	91,453		(6,444)
<b>Total Debt Service</b>	<b>436,564</b>	<b>418,564</b>	<b>433,144</b>	<b>-</b>	<b>(14,580)</b>
<b>Total Expenditures</b>	<b>13,081,385</b>	<b>13,340,930</b>	<b>13,009,334</b>	<b>50,085</b>	<b>281,511</b>
<b>OTHER FINANCING USES</b>					
Operating Transfers Out	124,374	174,198	163,901		10,297
<b>Total Expenditures and Other Uses</b>	<b>\$ 13,205,759</b>	<b>\$ 13,515,128</b>	<b>13,173,235</b>	<b>\$ 50,085</b>	<b>\$ 291,808</b>
Net Change in Fund Balance			(685,860)		
Fund Balance - Beginning of Year			2,639,250		
Fund Balance - End of Year			<u>\$ 1,953,390</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***

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/(liability)	0.025257%	0.026252%	0.026651%	0.027964%	0.027433%	0.027742%	0.027604%	0.027961%	0.028609%	0.028252%
District's proportionate share of the net pension asset/(liability)	\$ 753,567	\$ (300,212)	\$ (511,402)	\$ 4,845,850	\$ (758,035)	\$ 720,735	\$ 499,156	\$ 212,528	\$ (306,412)	\$ 2,934,447
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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	14.82 %	6.19 %	10.83 %	102.10 %	16.28 %	15.56 %	11.13 %	4.62 %	6.52 %	63.68 %
Plan fiduciary net position as a percentage of the total pension liability	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%
Discount rate	6.95%	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%

***Employees' Retirement System***

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/(liability)	0.0031847%	0.0034931%	0.0038832%	0.0040975%	0.0032783%	0.0035053%	0.0034870%	0.0036689%	0.0339150%	0.0037650%
District's proportionate share of the net pension asset/(liability)	\$ (546,042)	\$ (514,322)	\$ (832,707)	\$ 334,953	\$ (3,264)	\$ (928,231)	\$ (247,063)	\$ (118,410)	\$ (318,676)	\$ (604,297)
District's covered payroll	\$ 1,263,392	\$ 1,275,352	\$ 1,277,579	\$ 1,176,561	\$ 1,110,396	\$ 1,038,323	\$ 1,021,004	\$ 985,531	\$ 983,404	\$ 915,415
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	43.22 %	40.33 %	65.18 %	28.47 %	0.29 %	89.40 %	24.20 %	12.01 %	32.41 %	66.01 %
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%

\*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*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 519,860	\$ 465,546	\$ 498,908	\$ 462,686	\$ 452,327	\$ 412,537	\$ 491,766	\$ 439,495	\$ 519,292	\$ 578,850
Contributions in relation to the contractually required contribution	<u>519,860</u>	<u>465,546</u>	<u>498,908</u>	<u>462,686</u>	<u>452,327</u>	<u>412,537</u>	<u>491,766</u>	<u>439,495</u>	<u>519,292</u>	<u>578,850</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,360,291	\$ 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
Contributions as a percentage of covered payroll	10%	9%	10%	10%	10%	9%	11%	10%	11%	12%

*Employees' Retirement System*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 195,533	\$ 169,135	\$ 136,327	\$ 168,667	\$ 150,715	\$ 130,610	\$ 127,146	\$ 127,277	\$ 123,632	\$ 127,108
Contributions in relation to the contractually required contribution	<u>195,533</u>	<u>169,135</u>	<u>136,327</u>	<u>168,667</u>	<u>150,715</u>	<u>130,610</u>	<u>127,146</u>	<u>127,277</u>	<u>123,632</u>	<u>127,108</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,413,660	\$ 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
Contributions as a percentage of covered payroll	14%	12%	11%	13%	13%	12%	12%	12%	13%	14%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 876,459	\$ 838,640	\$ 720,689	\$ 1,087,416	\$ 954,847	\$ 792,587	\$ 1,338,440	\$ 1,017,251
Interest on total OPEB liability	921,885	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	3,469,814	-	(256,477)	-	(2,828,588)	-	5,134,565	(38,108)
Changes of assumptions or other inputs	(4,341,688)	(973,126)	1,718,820	(5,170,733)	2,344,171	3,934,552	(13,997,593)	-
Benefit payments	(896,677)	(619,360)	(655,574)	(674,652)	(721,933)	(669,844)	(656,453)	(751,028)
Net change in total OPEB liability	29,793	102,250	2,272,493	(4,204,853)	304,244	4,765,896	(6,512,556)	1,006,197
Total OPEB liability, beginning	<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>	<u>25,291,529</u>
Total OPEB liability, ending	<u>\$ 23,054,993</u>	<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	\$ 5,686,675	\$ 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	405.42%	410.77%	408.95%	376.27%	452.89%	484.44%	390.40%	454.42%
Discount rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	6.6 to 3.80% over 51 years	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 as set forth by GASB.

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Combined Balance Sheet - Nonmajor Governmental Funds**

June 30, 2025

	School Food Service	Extraclassroom Activities	Scholarships	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents				
Unrestricted	\$ 12,765	\$ 56,544	\$	\$ 69,309
Restricted			32,574	32,574
Receivables				
Accounts receivable	661			661
Due from other funds			64	64
Due from state and federal	7,245			7,245
Inventories	861			861
	<u>861</u>			<u>861</u>
Total Assets	<u>\$ 21,532</u>	<u>\$ 56,544</u>	<u>\$ 32,638</u>	<u>\$ 110,714</u>
<b>LIABILITIES</b>				
Payables				
Accounts payable	\$ 15,688	\$	\$	15,688
Due to other funds	43,189			43,189
Due to other governments		1,276		1,276
Unearned credits				
Collections in advance	6,794			6,794
	<u>6,794</u>			<u>6,794</u>
Total Liabilities	<u>65,671</u>	<u>1,276</u>	<u>-</u>	<u>66,947</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable: Inventories	861			861
Restricted: Scholarships			32,638	32,638
Assigned: Unappropriated fund balance		55,268		55,268
Unassigned: Fund balance (deficit)	(45,000)			(45,000)
	<u>(45,000)</u>			<u>(45,000)</u>
Total Fund Balances (Deficit)	<u>(44,139)</u>	<u>55,268</u>	<u>32,638</u>	<u>43,767</u>
Total Liabilities and Fund Balances	<u>\$ 21,532</u>	<u>\$ 56,544</u>	<u>\$ 32,638</u>	<u>\$ 110,714</u>

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - Nonmajor Governmental Funds**  
For the Year Ended June 30, 2025

	School Food Service	Extraclassroom Activities	Scholarships	Nonmajor Governmental Funds
<b>REVENUES</b>				
Use on money & property	\$	\$ 451	\$ 365	\$ 816
Miscellaneous	5,000	102,448	25,117	132,565
State sources	35,088			35,088
Federal sources	52,169			52,169
Sales	28,827			28,827
	<u>121,084</u>	<u>102,899</u>	<u>25,482</u>	<u>249,465</u>
<b>EXPENDITURES</b>				
Instruction		102,256	30,450	132,706
Employee benefits	31,165			31,165
Food service program	250,374			250,374
	<u>281,539</u>	<u>102,256</u>	<u>30,450</u>	<u>414,245</u>
Excess (Deficiency) of Revenues Over Expenditures	(160,455)	643	(4,968)	(164,780)
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Operating transfers in	113,374			113,374
Net Change in Fund Balances	<u>(47,081)</u>	<u>643</u>	<u>(4,968)</u>	<u>(51,406)</u>
Fund Balances - Beginning of Year, as Previously Reported	-	-	-	-
Change to or Within Reporting Entity	2,942	54,625	37,606	95,173
Fund Balances - Beginning of Year, as Restated	<u>2,942</u>	<u>54,625</u>	<u>37,606</u>	<u>95,173</u>
Fund Balances (Deficit) - End of Year	<u>\$ (44,139)</u>	<u>\$ 55,268</u>	<u>\$ 32,638</u>	<u>\$ 43,767</u>

**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, 2025

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 13,099,796
Additions:		
Prior year's encumbrances		<u>105,963</u>
Original Budget		13,205,759
Budget revisions		<u>309,369</u>
Final Budget		<u><u>\$ 13,515,128</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

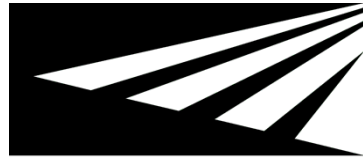
2025-2026 voter-approved expenditure budget		<u><u>\$ 13,298,131</u></u>
Maximum allowed (4% of 2025-2026 budget)		<u><u>\$ 531,925</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 545,259	
Unassigned fund balance	<u>434,648</u>	
		\$ 979,907
Less:		
Appropriated fund balance	495,174	
Encumbrances	<u>50,085</u>	
Total adjustments		<u>545,259</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 434,648</u></u>
Actual Percentage		3.27%

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For the Year Ended June 30, 2025

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2025
	June 30, 2024	June 30, 2025	Prior Years	Current Year	Total		Proceeds of Debt	State Aid	Local Sources	
<b><i>F.I.T. Center Capital Reserve</i></b>										
Roof Reconstruction F.I.T. Center	\$ -	\$ 49,823	\$ -	\$ -	\$ -	\$ 49,823	\$ -	\$ -	\$ 49,823	\$ 49,823

**SHELTER ISLAND UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2025

Capital assets, net	<u>\$ 8,554,453</u>
Deduct:	
Short-term portion of bonds payable	270,000
Long-term portion of bonds payable	980,000
Short-term portion of installment purchase debt payable	8,935
Long-term portion of installment purchase debt payable	783
Short-term portion of energy performance contract payable	70,523
Long-term portion of energy performance contract payable	<u>384,161</u>
	<u>1,714,402</u>
Net Investment in Capital Assets	<u><u>\$ 6,840,051</u></u>



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shelter Island Union Free School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2025.

***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.

# NawrockiSmith

## ***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***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 10, 2025

*Nawrocki Smith LLP*