



**HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2023

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Half Hollow Hills Central School District
Dix Hills, New York

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

OPINION UNIT	TYPE OF OPINION	OPINION UNIT	TYPE OF OPINION
Governmental Activities	<i>Unmodified</i>	Capital Projects Fund	<i>Unmodified</i>
General Fund	<i>Unmodified</i>	Extraclassroom Activity Funds	<i>Qualified</i>
Special Aid Fund	<i>Unmodified</i>	Scholarships Fund	<i>Unmodified</i>
School Food Service Fund	<i>Unmodified</i>	Fiduciary Fund	<i>Unmodified</i>
Debt Service Fund	<i>Unmodified</i>		

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activity funds of the Half Hollow Hills Central School District, as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the extraclassroom activity funds, and the fiduciary fund of the Half Hollow Hills Central School District, as of June 30, 2023, 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 Qualified Opinion and Unmodified 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 Half Hollow Hills Central School 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Extraclassroom Activity Funds

The fundraising cash receipts records of the student activities that comprise the extraclassroom activity funds of the Half Hollow Hills Central School District were not sufficient to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios on pages 4 through 17 and 56 through 60, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The other information on pages 61 through 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is other information requested by the New York State Education Department. Management is responsible for the other information. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 on our consideration of the Half Hollow Hills Central School 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 Half Hollow Hills Central School 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 Half Hollow Hills Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 16, 2023

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Half Hollow Hills Central School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023 in comparison with the year ended June 30, 2022, 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 2023 are as follows:

- The District's total net position was a deficit of \$303,558,348 in the district-wide financial statements at June 30, 2023. The deficit increased by \$9,722,331 over the prior year due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$293,559,145. Of this amount, \$13,918,272 was offset by program charges for services, and operating grants and contributions. General revenues of \$269,918,542 amount to 95.1% 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 \$76,221,302 at June 30, 2023. This balance represents a \$7,917,441 increase (11.59%) over the prior year due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Restricted fund balances increased by \$7,775,704 due to funding of reserves and interest allocated to the reserves, offset by the use of reserves.
 - Assigned fund balance decreased \$243,105, due to less open encumbrances at year end.
 - Unassigned fund balance increased by \$384,842 to \$11,591,609.
- The District's 2023 property tax levy of \$221,314,421 was a 1.98% increase over the 2022 tax levy and was equal to the property tax cap.
- On May 16, 2023, the 2023-2024 budget in the amount of \$289,790,216 was approved by the District's voters. The property tax levy was \$224,541,381 and was a 1.46% increase over the 2022-2023 tax levy, which was equal to the allowable tax cap.
- The District continues to receive the highest fiscal stress monitoring rating of "No Designation" (best rating) on the last available report from the New York State Comptroller's Office.
- The District aggressively and consistently managed its expenses throughout the year to ensure its year-end results created a strong foundation for entering into the 2023-2024 school year, knowing that the District would be under even further financial constraints, as employee benefit costs continue to rise and property tax increases are limited by the property tax cap. These constraints create a challenging financial environment for the District.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)



A. District-wide Financial Statements

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

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

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other capital assets.

The Statement of Activities

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

B. Fund Financial Statements

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, lease liabilities, workers' compensation, compensated absences, pension costs, 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 seven individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, extraclassroom activity funds, and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes and PILOT collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$9,722,331 between fiscal year 2023 and 2022 to \$303,558,348. 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:

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2023	2022	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 110,220,875	\$ 104,052,882	\$ 6,167,993	5.93 %
Capital Assets, Net	108,031,317	107,674,936	356,381	0.33 %
Net Pension Assets - Proportionate Share		112,308,496	(112,308,496)	(100.00)%
Total Assets	218,252,192	324,036,314	(105,784,122)	(32.65)%
Deferred Outflows of Resources	112,952,972	93,744,839	19,208,133	20.49 %
Liabilities				
Current and Other Liabilities	23,062,820	21,095,716	1,967,104	9.32 %
Long-Term Liabilities	44,780,759	51,127,815	(6,347,056)	(12.41)%
Net Pension Liabilities - Proportionate Share	31,731,799		31,731,799	N/A
Total OPEB Liability	478,999,572	430,862,433	48,137,139	11.17 %
Total Liabilities	578,574,950	503,085,964	75,488,986	15.01 %
Deferred Inflows of Resources	56,188,562	208,531,206	(152,342,644)	(73.06)%
Net Position (Deficit)				
Net Investment in Capital Assets	89,081,170	83,749,646	5,331,524	6.37 %
Restricted	60,317,850	52,706,233	7,611,617	14.44 %
Unrestricted (Deficit)	(452,957,368)	(430,291,896)	(22,665,472)	5.27 %
Total Net Position (Deficit)	\$ (303,558,348)	\$ (293,836,017)	\$ (9,722,331)	3.31 %

The increase in current and other assets was primarily due to increases in cash and amounts due from state and federal, offset by a decrease in lease receivable.

The increase in capital assets, net is due to capital additions in excess of depreciation/amortization expenses. In the accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) and the New York State and Local Employees' Retirement System's (ERS) collective net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate shares shifted from assets to liabilities. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates, actuarial adjustments of the pension and OPEB plans that will be amortized in future years, and deferred charges from prior year bond refundings that are being amortized over the remaining term of the bonds.

Current and other liabilities increased as compared to the prior year. This increase is predominantly due to increases in accounts payable and amounts due to the teachers' retirement system, offset by the decrease in accrued liabilities. The increase in accounts payable is the result of the timing of when invoices are processed for payment, and the increase in the amount due to the teachers' retirement system is the result of an increase in the required contribution rate from 9.80% in the prior year to 10.29% in the current year.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The decrease in long-term liabilities is mainly the result of the repayment of the current year maturity of outstanding debt and the amortization of bond premiums, and the decrease in the liability for workers' compensation. These decreases were offset by an increase in compensated absences. The accompanying Notes to Financial Statements, Note 13, "Long-Term Liabilities", provides additional information.

Net pension liabilities – proportionate share represents the District's share of the TRS' and the ERS' collective net pension liabilities, at the measurement date of the respective year. The increase is due to the shift from net pension assets in the prior year, to net pension liabilities in the current year. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State", provides additional information.

Total OPEB liability increased, based on an actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 17 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years, as well as the amount of long-term leases receivable that will be amortized and recognized as lease revenues over the term of the leases.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation/amortization 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 due to Board - approved additions, and interest earnings, net of the use of restricted amounts to pay current period expenses.

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

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements school tax relief (STAR) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 3,905,902	\$ 2,450,932	\$ 1,454,970	59.36 %
Operating Grants & Contributions	10,012,370	10,392,863	(380,493)	(3.66)%
Capital Grants	-	148,400	(148,400)	(100.00)%
General Revenues				
Property Taxes and STAR	221,315,168	217,027,382	4,287,786	1.98 %
State Sources	35,867,181	33,439,793	2,427,388	7.26 %
Other	12,736,193	9,607,672	3,128,521	32.56 %
Total Revenues	283,836,814	273,067,042	10,769,772	3.94 %

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Expenses				
General Support	\$ 29,550,769	\$ 26,143,824	\$ 3,406,945	13.03 %
Instruction	240,679,559	206,417,185	34,262,374	16.60 %
Pupil Transportation	18,470,041	17,038,025	1,432,016	8.40 %
Community Services	117,468	56,200	61,268	109.02 %
Debt Service - Interest	1,722,410	938,846	783,564	83.46 %
Food Service Program	3,018,898	2,950,224	68,674	2.33 %
Total Expenses	<u>293,559,145</u>	<u>253,544,304</u>	<u>40,014,841</u>	15.78 %
Change in Net Position	<u>\$ (9,722,331)</u>	<u>\$ 19,522,738</u>	<u>\$ (29,245,069)</u>	(149.80)%

The change in net position represents the District's operating profit (loss) using the economic resources measurement focus and the accrual basis of accounting. For the year ended June 30, 2023, the loss was \$9,722,331 compared to a \$19,522,738 profit in the prior year.

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

- Real property taxes and STAR combined were increased to fund additional appropriations in the voter-approved 2022-2023 budget.
- The increase in other revenue is largely attributed to higher interest rates that lead directly to the increase in interest earnings on the District's cash balance.
- The increase in state sources is chiefly due to the District receiving a larger allocation of state aid, mainly in general aid and lottery aid.
- Charges for services increased due to more agreements with other schools to provide services for students attending the district during the 2022-2023 year.

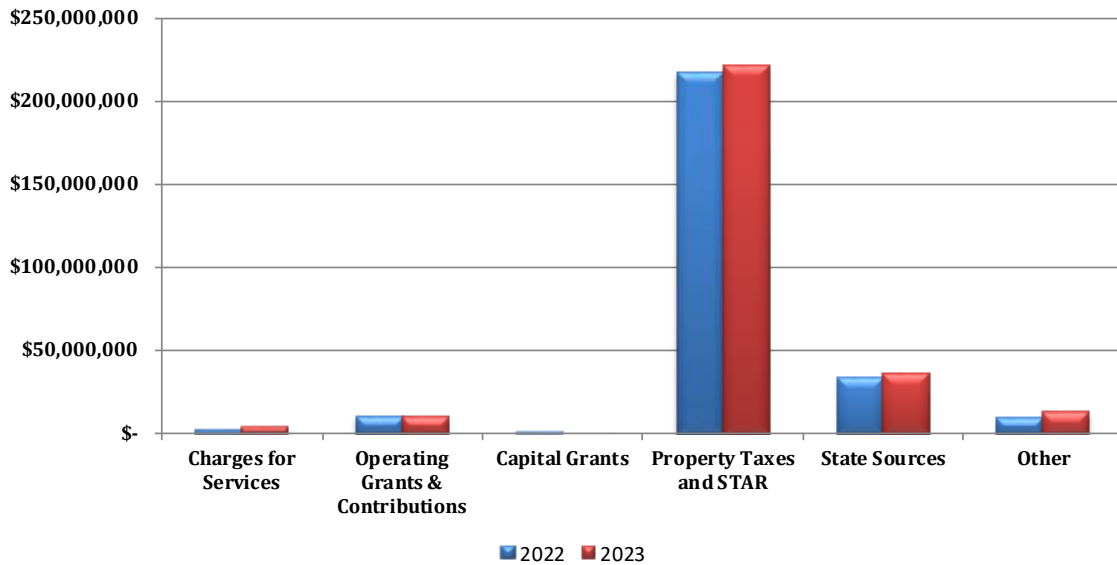
The District's expenses increased when compared to the prior year, primarily due to the following major changes:

- General support, instruction, and transportation largely increased based on the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs.
- Debt service – interest increased due to higher interest rates on the District's short-term tax anticipation note borrowings. This increase was offset by the decrease in interest paid on the District's long-term borrowings, as interest due decreases with each year the borrowings come closer to maturity.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 78.0% and 79.5% of the total for the years 2023 and 2022, respectively). Instruction expense is the largest category of expenses incurred (i.e., 82.0% and 81.4% of the total for the years 2023 and 2022, respectively).

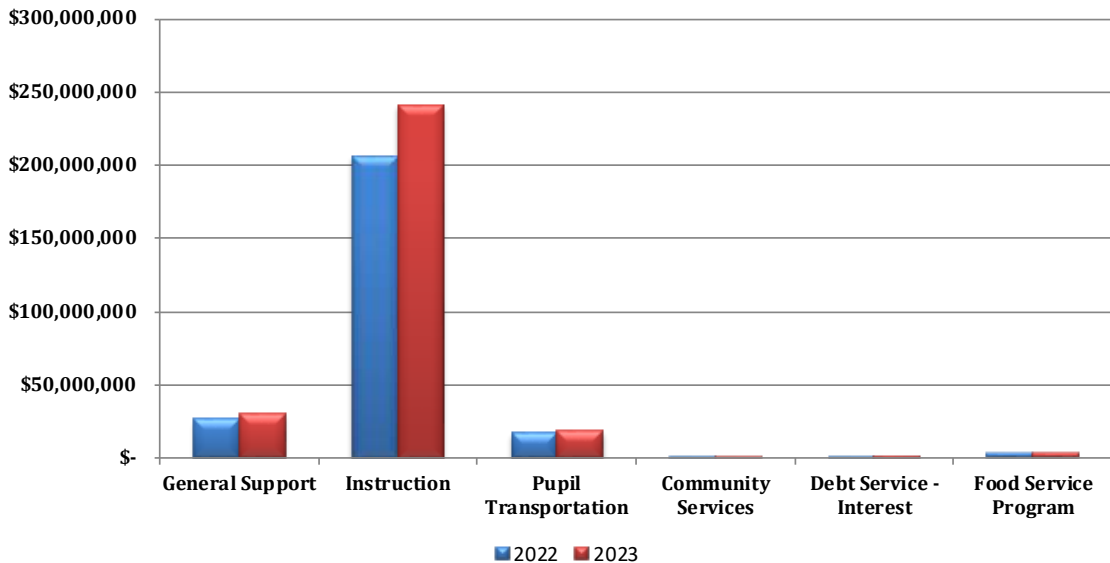
HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes and STAR	State Sources	Other
2022	0.9%	3.8%	0.1%	79.5%	12.2%	3.5%
2023	1.4%	3.5%	0.0%	78.0%	12.6%	4.5%

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



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
2022	10.3%	81.4%	6.7%	0.0%	0.4%	1.2%
2023	10.1%	82.0%	6.3%	0.0%	0.6%	1.0%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$83,592,512, which is an increase of \$5,762,134 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2023	2022	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	\$ 4,644,024	\$ 5,683,472	\$ (1,039,448)	(18.29)%
Unemployment insurance	2,951,861	2,880,127	71,734	2.49 %
Retirement contribution				
Teachers' retirement system	2,298,030	2,032,883	265,147	13.04 %
Employees' retirement system	21,419,931	20,231,523	1,188,408	5.87 %
Property loss	1,528,861	512,439	1,016,422	198.35 %
Liability	519,599	18,991	500,608	2,636.03 %
Employee benefit accrued liability	13,854,955	14,490,581	(635,626)	(4.39)%
Capital	12,303,013	5,894,554	6,408,459	108.72 %
Assigned:				
Appropriated fund balance	4,275,000	4,275,000	-	0.00 %
Unappropriated fund balance	834,419	1,077,524	(243,105)	(22.56)%
Unassigned: Fund balance	11,591,609	11,206,767	384,842	3.43 %
	<u>76,221,302</u>	<u>68,303,861</u>	<u>7,917,441</u>	11.59 %
School Food Service Fund				
Nonspendable: Inventory	81,402	59,223	22,179	37.45 %
Assigned: Unappropriated fund balance	1,525,168	966,818	558,350	57.75 %
	<u>1,606,570</u>	<u>1,026,041</u>	<u>580,529</u>	56.58 %
Debt Service Fund				
Restricted: Debt	437,730	631,393	(193,663)	(30.67)%
Capital Projects Fund				
Restricted: Unspent bond proceeds	767,234	964,612	(197,378)	(20.46)%
Assigned: Unappropriated fund balance	3,827,155	6,211,524	(2,384,369)	(38.39)%
	<u>4,594,389</u>	<u>7,176,136</u>	<u>(2,581,747)</u>	(35.98)%
Extraclassroom Activity Funds				
Assigned: Unappropriated fund balance	372,675	362,677	9,998	2.76 %
Scholarships Fund				
Restricted: Scholarships	359,846	330,270	29,576	8.96 %
Total Fund Balance	<u>\$ 83,592,512</u>	<u>\$ 77,830,378</u>	<u>\$ 5,762,134</u>	7.40 %

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The general fund – fund balance is a net increase of \$7,917,441, compared to an increase of \$3,510,961 in 2022. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

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

	2023	2022	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	\$ 221,315,168	\$ 217,027,382	\$ 4,287,786	1.98 %
Other Local Sources	14,263,096	10,559,319	3,703,777	35.08 %
State Sources	35,867,181	33,439,793	2,427,388	7.26 %
Medicaid Reimbursement	216,635	214,978	1,657	0.77 %
Federal Sources	100,281	-	100,281	N/A
Other Financing Sources	222,500	222,500	-	0.00 %
	<u>\$ 271,984,861</u>	<u>\$ 261,463,972</u>	<u>\$ 10,520,889</u>	4.02 %

- Property taxes and STAR increased due to the growth in the tax levy in accordance with the 2022-2023 voter-approved budget.
- Other local sources increased largely due to higher interest earnings on the District's cash balances. Included within other local sources is charges for services, which increased due to more students attending the District with residences in other district locations.
- The increase in state sources is mainly attributable to more general and lottery aids allocated to the District during the current year.

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

	2023	2022	Increase (Decrease)	Percentage Change
General Support	\$ 22,515,283	\$ 22,090,286	\$ 424,997	1.92 %
Instruction	148,581,352	147,791,516	789,836	0.53 %
Pupil Transportation	15,892,666	15,571,699	320,967	2.06 %
Community Services	73,852	41,909	31,943	76.22 %
Employee Benefits	66,143,089	62,505,902	3,637,187	5.82 %
Debt Service	1,002,375	58,550	943,825	1612.00 %
Other Financing Uses	9,858,803	9,893,149	(34,346)	(0.35)%
	<u>\$ 264,067,420</u>	<u>\$ 257,953,011</u>	<u>\$ 6,114,409</u>	2.37 %

- Employee benefits increased due to larger contribution rates for health insurance, as well as higher pension contribution rates for the District's liabilities to the TRS and ERS.
- Debt service increased due to higher rates of interest being charged on the District's tax anticipation note (TAN) borrowings for the 2022-2023 school year.
- General Support and instruction increased due to routine salary and step increases.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

	Balance @ June 30, 2022	Use of Reserves	Interest	Funding	Balance @ June 30, 2023
Workers' compensation	\$ 5,683,472	\$ (1,221,584)	\$ 182,136	\$	\$ 4,644,024
Unemployment insurance	2,880,127	(20,564)	92,298		2,951,861
Retirement contribution					
TRS	2,032,883	(1,800,000)	65,147	2,000,000	2,298,030
ERS	20,231,523	(3,459,945)	4,648,353		21,419,931
Property loss	512,439		1,016,422		1,528,861
Liability	18,991		608	500,000	519,599
EBALR	14,490,581	(1,100,000)	464,374		13,854,955
Capital	5,894,554		188,901	6,219,558	12,303,013
	<u>\$ 51,744,570</u>	<u>\$ (7,602,093)</u>	<u>\$ 6,658,239</u>	<u>\$ 8,719,558</u>	<u>\$ 59,520,274</u>

B. School Food Service Fund

The school food service fund - fund balance net increase represents the District's operating profit for the 2022-2023 school year.

C. Debt Service Fund

The debt service fund - fund balance net decrease reflects the budgeted use of fund balance towards principal and interest payments on long-term debt, offset by interest earnings.

D. Capital Projects Fund

The capital projects fund - fund balance net decrease is mainly the result of expenditures related to ongoing capital improvement projects, offset by an operating transfer in from the general fund.

E. Extraclassroom Activity Funds

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

F. Scholarships Fund

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2022-2023 Budget

The District's general fund adopted budget for the year ended June 30, 2023 was \$280,169,185. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,077,525 and budget revisions of \$239,575, for a total final budget of \$281,486,285.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$221,314,421 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, 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	\$ 11,206,767
Revenues and Other Financing Sources Over Budget	3,651,101
Expenditures, and Other Financing Uses, and Encumbrances Under Budget	16,584,446
Unused Appropriated Reserves	(197,908)
Allocation to Reserves	(15,377,797)
Appropriated to the June 30, 2024 Budget	<u>(4,275,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 11,591,609</u></u>

Opening, Unassigned Fund Balance

The \$11,206,767 shown in the table is the portion of the District's June 30, 2022 fund balance that was retained as unassigned.

Revenues and Other Financing Sources Over Budget

The District's 2022-2023 final budget for revenues was \$268,333,760. Actual revenues and other financing sources recognized for the year were \$271,984,861. The excess of actual revenues and other financing sources over budgeted revenues and other financing sources was \$3,651,101, which contributes directly to the change in general fund unassigned fund balance from June 30, 2022 to June 30, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures, and Other Financing Uses, and Encumbrances Under Budget

The 2022-2023 final budget for expenditures and other financing uses was \$281,486,285. Actual expenditures and other financing uses as of June 30, 2023 were \$264,067,420 and outstanding encumbrances were \$834,419. Combined, the expenditures and other financing uses plus encumbrances for 2022-2023 were \$264,901,839. The final budget variance was \$16,584,446, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2022 to June 30, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Unused Appropriated Reserves

In the 2022-2023 budget, \$7,800,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$197,908 of this funding was not needed and, therefore, it was returned to the reserves and is available for future use.

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$4,275,000 of the available June 30, 2023 unassigned fund balance to partially fund the 2023-2024 approved operating budget. As such, the June 30, 2023 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2023 was \$11,591,609. This amount equals 4% of the 2023-2024 budget and is at the statutory limit.

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

A. Capital Assets

At June 30, 2023, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$8,503,775 in excess of depreciation/amortization expense of \$8,147,394 recorded for the year ended June 30, 2023. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Land	\$ 2,629,860	\$ 2,629,860	\$ -
Construction in progress	9,258,723	7,215,720	2,043,003
Buildings and improvements	86,129,769	88,760,701	(2,630,932)
Site improvements	2,489,909	2,001,396	488,513
Vehicles	2,267,436	1,974,611	292,825
Furniture and equipment	5,221,471	5,024,351	197,120
Leased equipment	34,149	68,297	(34,148)
Capital assets, net	<u>\$ 108,031,317</u>	<u>\$ 107,674,936</u>	<u>\$ 356,381</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

At June 30, 2023, the District had combined total debt of \$18,919,903. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at June 30, 2023 and 2022 is as follows:

Issue Date	Interest Rate	2023	2022	Increase (Decrease)
Bonds Payable				
5/1/2008	3.50% - 4.00%	\$ -	\$ 195,000	\$ (195,000)
4/11/2013	3.00% - 5.00%	3,485,000	6,155,000	(2,670,000)
4/11/2013	2.00% - 5.00%	1,375,000	2,685,000	(1,310,000)
2/6/2019	1.55% - 5.00%	11,600,000	12,155,000	(555,000)
		<u>\$ 16,460,000</u>	<u>\$ 21,190,000</u>	<u>\$ (4,730,000)</u>
Installment Purchase Debt				
12/7/2010	2.89%	<u>\$ 2,425,441</u>	<u>\$ 3,074,848</u>	<u>\$ (649,407)</u>
Lease Liabilities				
7/1/2020	1.00%	<u>\$ 34,462</u>	<u>\$ 68,581</u>	<u>\$ (34,119)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2023 did not exceed the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share, and total OPEB liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Compensated absences	\$ 23,448,762	\$ 23,115,109	\$ 333,653
Workers' compensation liabilities	1,785,904	2,872,717	(1,086,813)
Net Pension liabilities - proportionate share	31,731,799	-	31,731,799
Total OPEB liability	<u>478,999,572</u>	<u>430,862,433</u>	<u>48,137,139</u>
	<u>\$ 535,966,037</u>	<u>\$ 456,850,259</u>	<u>\$ 79,115,778</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2023, for the year ending June 30, 2024, is \$289,790,216. This is an increase of \$9,621,031 or 3.43% over the previous year's budget.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District budgeted revenues other than property taxes and STAR at a \$6,394,071 increase, principally due to an estimated increase in revenue from state sources and PILOT. The assigned, appropriated fund balance applied to the budget in the amount of \$4,275,000 and appropriated reserves of \$7,800,000 were the same amounts as the previous year. A property tax levy increase of \$3,226,960 (1.46%), levy to levy, was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Future Budgets

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources to close learning gaps, fluctuating rates in this inflationary environment, and increases in charges of fuel, goods, and borrowing costs may impact the District's future budgets

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2023-2024 property tax increase of 1.46% 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:

Ms. Anne Marie Marrone Caliendo
Assistant Superintendent Finance and Facilities
Half Hollow Hills Central School District
525 Half Hollow Road
Dix Hills, New York 11746

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2023

ASSETS

Cash	
Unrestricted	\$ 33,345,333
Restricted	61,085,084
Receivables	
Accounts receivable	290,088
Due from state and federal	10,253,534
Due from other governments	4,850,949
Lease receivable	314,485
Inventories	81,402
Capital assets:	
Not being depreciated/amortized	11,888,583
Being depreciated/amortized, net of accumulated depreciation/amortization	<u>96,142,734</u>
Total Assets	<u>218,252,192</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on advance refunding of bonds	35,787
Pensions	75,639,028
Other postemployment benefits	<u>37,278,157</u>
Total Deferred Outflows of Resources	<u>112,952,972</u>

LIABILITIES

Payables	
Accounts payable	6,737,423
Accrued liabilities	518,731
Due to other governments	209,777
Due to teachers' retirement system	11,480,171
Due to employees' retirement system	1,213,635
Compensated absences payable	624,714
Other liabilities	1,902,621
Unearned credits - Collections in advance	375,748
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,766,602
Installment purchase debt payable	668,311
Lease liabilities	34,462
Compensated absences payable	1,100,000
Workers' compensation liabilities	900,000
Due and payable after one year	
Bonds payable, net	13,319,588
Installment purchase debt payable	1,757,130
Compensated absences payable	22,348,762
Workers' compensation liabilities	885,904
Net pension liabilities - proportionate share	31,731,799
Total other postemployment benefits liability	<u>478,999,572</u>
Total Liabilities	<u>578,574,950</u>

DEFERRED INFLOWS OF RESOURCES

Lease	314,485
Pensions	6,647,865
Other postemployment benefits	<u>49,226,212</u>
Total Deferred Inflows of Resources	<u>56,188,562</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>89,081,170</u>
Restricted	
Workers' compensation	4,644,024
Unemployment insurance	2,951,861
Retirement contribution	
Teachers' retirement system	2,298,030
Employees' retirement system	21,419,931
Property loss	1,528,861
Liability	519,599
Employee benefit accrued liability	13,854,955
Capital	12,303,013
Debt	437,730
Scholarships	<u>359,846</u>
	<u>60,317,850</u>
Unrestricted (Deficit)	<u>(452,957,368)</u>
Total Net Position (Deficit)	<u>\$ (303,558,348)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues		Net (Expense)
		Charges for	Operating Grants	Revenue and
	Expenses	Services	& Contributions	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 29,550,769	\$	\$	\$ (29,550,769)
Instruction	240,679,559	1,840,895	8,521,942	(230,316,722)
Pupil transportation	18,470,041			(18,470,041)
Community services	117,468			(117,468)
Debt service - interest	1,722,410			(1,722,410)
Food service program	3,018,898	2,065,007	1,490,428	536,537
Total Functions and Programs	<u>\$ 293,559,145</u>	<u>\$ 3,905,902</u>	<u>\$ 10,012,370</u>	<u>(279,640,873)</u>
GENERAL REVENUES				
Real property taxes				214,190,186
Other tax items				13,906,305
Use of money and property				3,533,922
Sale of property and compensation for loss				315,712
Miscellaneous				1,888,601
State sources				35,867,181
Medicaid reimbursement				<u>216,635</u>
Total General Revenues				<u>269,918,542</u>
Change in Net Position				(9,722,331)
Total Net Position (Deficit) - Beginning of Year				<u>(293,836,017)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (303,558,348)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2023

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activity	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 26,943,788	\$ 311,927	\$ 1,624,384	\$	\$ 4,092,559	\$ 372,675	\$	\$ 33,345,333
Restricted	59,078,524			882,730	767,234		356,596	61,085,084
Receivables								
Accounts receivable	290,025		63					290,088
Due from other funds	7,070,308		148,764		1,550,000		3,250	8,772,322
Due from state and federal	3,243,364	6,433,502	76,668		500,000			10,253,534
Due from other governments	4,850,949							4,850,949
Lease receivable	314,485							314,485
Inventories			81,402					81,402
Total Assets	<u>\$ 101,791,443</u>	<u>\$ 6,745,429</u>	<u>\$ 1,931,281</u>	<u>\$ 882,730</u>	<u>\$ 6,909,793</u>	<u>\$ 372,675</u>	<u>\$ 359,846</u>	<u>\$ 118,993,197</u>
LIABILITIES								
Payables								
Accounts payable	\$ 6,419,293	\$ 101,890	\$ 9,165	\$	\$ 207,075	\$	\$	\$ 6,737,423
Accrued liabilities	402,164		12,430					414,594
Due to other funds	148,764	6,570,229		445,000	1,608,329			8,772,322
Due to other governments	209,099		678					209,777
Due to teachers' retirement system	11,480,171							11,480,171
Due to employees' retirement system	1,213,635							1,213,635
Compensated absences payable	624,714							624,714
Other liabilities	1,902,621							1,902,621
Unearned credits								
Collections in advance		73,310	302,438					375,748
Total Liabilities	<u>22,400,461</u>	<u>6,745,429</u>	<u>324,711</u>	<u>445,000</u>	<u>1,815,404</u>	<u>-</u>	<u>-</u>	<u>31,731,005</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	2,855,195				500,000			3,355,195
Lease	314,485							314,485
Total Deferred Inflows of Resources	<u>3,169,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>3,669,680</u>
FUND BALANCES								
Nonspendable: Inventory			81,402					81,402
Restricted:								
Workers' compensation	4,644,024							4,644,024
Unemployment insurance	2,951,861							2,951,861
Retirement contribution								
Teachers' retirement system	2,298,030							2,298,030
Employees' retirement system	21,419,931							21,419,931
Property loss	1,528,861							1,528,861
Liability	519,599							519,599
Employee benefit accrued liability	13,854,955							13,854,955
Capital	12,303,013							12,303,013
Debt				437,730				437,730
Unspent bond proceeds					767,234			767,234
Scholarships							359,846	359,846
Assigned:								
Appropriated fund balance	4,275,000							4,275,000
Unappropriated fund balance	834,419		1,525,168		3,827,155	372,675		6,559,417
Unassigned: Fund balance	<u>11,591,609</u>							<u>11,591,609</u>
Total Fund Balances	<u>76,221,302</u>	<u>-</u>	<u>1,606,570</u>	<u>437,730</u>	<u>4,594,389</u>	<u>372,675</u>	<u>359,846</u>	<u>83,592,512</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 101,791,443</u>	<u>\$ 6,745,429</u>	<u>\$ 1,931,281</u>	<u>\$ 882,730</u>	<u>\$ 6,909,793</u>	<u>\$ 372,675</u>	<u>\$ 359,846</u>	<u>\$ 118,993,197</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total Governmental Fund Balances		\$ 83,592,512
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building, acquiring, and leasing 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 of capital assets	\$ 289,249,184	
Less: Accumulated depreciation/amortization	<u>(181,217,867)</u>	
		108,031,317
Deferred charges on the advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		
Deferred charges on advance refunding	1,978,446	
Less: Accumulated amortization	<u>(1,942,659)</u>	
		35,787
Proportionate share of long-term liabilities, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources and liabilities and are not reported in the funds.		
Deferred outflows of resources	75,639,028	
Net pension liability - teachers' retirement system	(11,512,166)	
Net pension liability - employees' retirement system	(20,219,633)	
Deferred inflows of resources	<u>(6,647,865)</u>	
		37,259,364
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	37,278,157	
Total other postemployment benefits liability	(478,999,572)	
Deferred inflows of resources	<u>(49,226,212)</u>	
		(490,947,627)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		
		3,355,195
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 debt	(104,137)	
Bonds payable, net	(17,086,190)	
Installment purchase debt payable	(2,425,441)	
Lease liabilities	(34,462)	
Compensated absences payable	(23,448,762)	
Workers' compensation liabilities	<u>(1,785,904)</u>	
		<u>(44,884,896)</u>
Total Net Position (Deficit)		<u>\$ (303,558,348)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activity	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 214,190,186	\$	\$	\$	\$	\$	\$	\$ 214,190,186
Other tax items	13,644,006							13,644,006
Charges for services	2,077,447							2,077,447
Use of money and property	3,462,312		42,773	28,837			13,031	3,546,953
Sale of property and compensation for loss	315,712							315,712
Miscellaneous	1,888,601	1,389	5,656			661,224	46,195	2,603,065
State sources	35,867,181	2,987,695	39,323					38,894,199
Medicaid reimbursement	216,635							216,635
Federal sources	100,281	5,373,351	1,451,105					6,924,737
Sales			2,059,351					2,059,351
Total Revenues	271,762,361	8,362,435	3,598,208	28,837	-	661,224	59,226	284,472,291
EXPENDITURES								
General support	22,515,283							22,515,283
Instruction	148,581,352	8,652,641				651,226	29,650	157,914,869
Pupil transportation	15,892,666	504,443						16,397,109
Community services	73,852							73,852
Employee benefits	66,143,089		363,677					66,506,766
Debt service								
Principal				5,413,526				5,413,526
Interest	1,002,375			900,628				1,903,003
Food service program			2,654,002					2,654,002
Capital outlay					5,331,747			5,331,747
Total Expenditures	254,208,617	9,157,084	3,017,679	6,314,154	5,331,747	651,226	29,650	278,710,157
Excess (Deficiency) of Revenues Over Expenditures	17,553,744	(794,649)	580,529	(6,285,317)	(5,331,747)	9,998	29,576	5,762,134
OTHER FINANCING SOURCES AND (USES)								
Operating transfers in	222,500	794,649		6,314,154	2,750,000			10,081,303
Operating transfers (out)	(9,858,803)			(222,500)				(10,081,303)
Total Other Financing Sources and (Uses)	(9,636,303)	794,649	-	6,091,654	2,750,000	-	-	-
Net Change in Fund Balances	7,917,441	-	580,529	(193,663)	(2,581,747)	9,998	29,576	5,762,134
Fund Balances - Beginning of Year	68,303,861	-	1,026,041	631,393	7,176,136	362,677	330,270	77,830,378
Fund Balances - End of Year	\$ 76,221,302	\$ -	\$ 1,606,570	\$ 437,730	\$ 4,594,389	\$ 372,675	\$ 359,846	\$ 83,592,512

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances \$ 5,762,134

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

Long-Term Revenue and Expense Differences

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

\$ (635,477)

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

Decrease in workers' compensation liabilities 1,086,813

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 (333,653)

117,683

Capital Related Differences

Capital outlays to purchase, build, or lease 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/amortization expense in the Statement of Activities. This is the amount by which capital outlays and other additions exceeded depreciation/amortization expense in the period.

Capital outlays and other additions 8,503,775
Depreciation/amortization expense (8,147,394)

356,381

Long-Term Debt Transaction Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

122,072

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.

Bond payable 4,730,000
Installment purchase debt 649,407
Lease liabilities 34,119

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, 2022 to June 30, 2023.

58,521

5,594,119

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 (3,832,328)
Employees' retirement system (3,874,569)
Other postemployment benefits (13,845,751)

(21,552,648)

Change in Net Position of Governmental Activities

\$ (9,722,331)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2023

	<u>Custodial</u>
ASSETS	
Cash and cash equivalents	<u>\$</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	<u>\$</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2023

	<u>Custodial</u>
ADDITIONS	
Real property taxes and PILOT collected for the Library	\$ 9,046,518
DEDUCTIONS	
Disbursements of real property taxes and PILOT to the Library	<u>9,046,518</u>
Change in Net Position	-
Net Position - Beginning of Year	<u></u>
Net Position - End of Year	<u>\$ -</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

B. Joint Venture

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

Debt Service Fund - accounts for the accumulation of resources for, and the payment of, principal and interest on long-term general obligation debt of governmental activities.

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Extraclassroom Activity Funds – 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 activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

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 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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, workers' compensation, lease liabilities, compensated absences, OPEB, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes and Other Tax Items

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. Taxes are collected by the Towns of Huntington and Babylon and remitted to the District from December to June.

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 revenues.

F. Payments in Lieu of Taxes (PILOT)

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

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

G. Restricted Resources

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

H. Interfund Transactions

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the district-wide statements, eliminations have been made for all interfund receivables and payables among the funds.

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

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

I. Use of Estimates

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

J. Cash and Cash Equivalents

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

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

K. Receivables

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

L. Leases Receivable

The District leases various buildings to a third party. A lease receivable is measured and recorded at the present value of lease payments expected to be received by the District during the lease terms using an implicit discount rate, net of any provision for estimated uncollectible amounts. As lease payments are received from the lessee, they are first allocated to the amortization of the discount on the lease receivable and recognized as interest revenue, and then to lease receivable.

M. 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. Inventory is accounted for on the consumption method. Under the consumption method, 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.

HALF HOLLOW HILLS CENTRAL 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.

N. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 500	50 years
Site improvements	500	20 years
Furniture, equipment and vehicles	500	5-20 years
Leased equipment	500	5-20 years

O. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net 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 three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2025. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in the total OPEB liability not included in OPEB expense.

P. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including, 2022. 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.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Collections in Advance

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

R. Employee Benefits – Compensated Absences

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

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

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

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

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

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

S. Other Benefits

Eligible District employees participate in the TRS or the ERS.

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

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for retired eligible employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

T. 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 debt service fund.

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the district-wide financial statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

U. 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 four items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for PILOT revenue, amounts due from other governments for tuition charges and a capital grant award. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to the long-term leases receivable for properties that the District leases to third parties. Revenues will be recognized systematically over the terms of the lease agreements. The third item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The fourth item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total OPEB liability not included in OPEB expense.

V. Equity classifications

District-wide statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation/amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, and improvements of those assets, net of any unexpended proceeds.

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.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fund Statements

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

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

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

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the ERS and TRS. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Contributions to the TRS sub-fund are limited to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The TRS sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r. These reserves are accounted for in the general fund.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Restricted for Debt

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted – Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Restricted for Scholarships

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

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

Fund Balance Classification

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

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

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

2. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set GAAP for state and local governments. The following is not an all-inclusive list of GASB 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.

Effective for the Year Ending	Statement
June 30, 2024	GASB No. 99 – <i>Omnibus 2022</i>
June 30, 2025	GASB No. 101 – <i>Compensated Absences</i>

GASB Statement No. 99 provides guidance to enhance comparability in accounting and financial reporting to improve consistency of previously issued literature.

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

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

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board 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. During the year, the Board of Education approved the following supplemental appropriations:

Unanticipated costs funded by:

Insurance recoveries	\$ 192,714
Other rental income	2,442
Instructional materials funded by donations	22,752
Instructional costs funded by student fees	<u>21,667</u>
	<u>\$ 239,575</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2023, the District was billed \$10,945,449 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,792,173. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2023 consisted of:

General Fund	
New York State - excess cost aid	\$ 1,295,561
New York State - general aid	26,150
FEMA	100,281
BOCES aid	1,792,173
Medicaid	29,199
	<u>3,243,364</u>
Special Aid Fund	
State and federal grants	6,433,502
School Lunch Fund	
Federal and state food service program reimbursement	76,668
Capital Projects Fund	
State and municipal grant	<u>500,000</u>
	<u>\$ 10,253,534</u>

District management expects these amounts to be fully collectible.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023 consists of:

General Fund	
Tuition and health services	\$ 2,175,509
PILOT payments	2,492,713
BOCES refund	132,727
Suffolk County	<u>50,000</u>
	<u>\$ 4,850,949</u>

District management expects these amounts to be fully collectible.

9. CAPITAL ASSETS

A. Changes

Capital assets balances and activity for the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Governmental activities				
Capital assets not being depreciated/amortized:				
Land	\$ 2,629,860	\$	\$	\$ 2,629,860
Construction in progress	<u>7,215,720</u>	<u>5,134,368</u>	<u>(3,091,365)</u>	<u>9,258,723</u>
Total capital assets not being depreciated/amortized	<u>9,845,580</u>	<u>5,134,368</u>	<u>(3,091,365)</u>	<u>11,888,583</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	240,640,297	3,523,030		244,163,327
Site improvements	7,363,715	865,412		8,229,127
Vehicles	6,849,433	698,356	(393,174)	7,154,615
Furniture and equipment	16,851,114	1,373,974	(514,002)	17,711,086
Leased equipment	<u>102,446</u>			<u>102,446</u>
Total capital assets being depreciated/amortized	<u>271,807,005</u>	<u>6,460,772</u>	<u>(907,176)</u>	<u>277,360,601</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	151,879,596	6,153,962		158,033,558
Site improvements	5,362,319	376,899		5,739,218
Vehicles	4,874,822	405,531	(393,174)	4,887,179
Furniture and equipment	11,826,763	1,176,854	(514,002)	12,489,615
Leased equipment	<u>34,149</u>	<u>34,148</u>		<u>68,297</u>
Total accumulated depreciation/amortization	<u>173,977,649</u>	<u>8,147,394</u>	<u>(907,176)</u>	<u>181,217,867</u>
Total capital assets being depreciated/amortized, net	<u>97,829,356</u>	<u>(1,686,622)</u>	<u>-</u>	<u>96,142,734</u>
Capital assets, net	<u>\$107,674,936</u>	<u>\$ 3,447,746</u>	<u>\$ (3,091,365)</u>	<u>\$108,031,317</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation/amortization expense was charged to governmental functions as follows:

General support	\$ 437,933
Instruction	7,266,881
Pupil transportation	415,060
Food service	<u>27,520</u>
Total depreciation/amortization expense	<u>\$ 8,147,394</u>

B. Lease Assets

The District has entered into a lease arrangement that is subject to GASB Statement No. 87. The terms of this lease are for four years with an interest rate of 1.00%. The lease is included in leased equipment in the previous table. The District has not provided any residual value guarantees related to these leased capital assets.

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2023, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 7,070,308	\$ 148,764	\$ 222,500	\$ 9,858,803
Special Aid Fund		6,570,229	794,649	
School Food Service Fund	148,764			
Debt Service Fund		445,000	6,314,154	222,500
Capital Projects Fund	1,550,000	1,608,329	2,750,000	
Scholarships Fund	<u>3,250</u>			
Total Governmental Funds	<u>\$ 8,772,322</u>	<u>\$ 8,772,322</u>	<u>\$ 10,081,303</u>	<u>\$ 10,081,303</u>

The District typically transfers from the general fund to the special aid fund, debt service fund and capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the capital projects fund was the 2022-2023 budgeted transfer of \$2,750,000 for district-wide renovations and improvements. The transfer from the debt service fund to the general fund represents unspent debt proceeds used to offset debt payment costs in accordance with the 2022-2023 operating budget.

11. LEASES RECEIVABLE

The District has entered into various agreements to lease District owned facilities. The District receives 12 monthly installments in each fiscal year covered by the agreement (July to June). The monthly installments increase in the next fiscal year based on the lease terms and agreement until the expiration date. As of July 1, 2022, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using various implicit interest rates, were \$1,298,774. During the year ended June 30, 2023, the District recognized lease revenue and lease interest in the amount of \$984,289 and \$7,658, respectively.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is the amortization schedule for the lease receivable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 269,334	\$ 1,687	\$ 271,021
2025	<u>45,151</u>	<u>19</u>	<u>45,170</u>
Total	<u>\$ 314,485</u>	<u>\$ 1,706</u>	<u>\$ 316,191</u>

The following is the amortization schedule for the deferred inflows of resources:

<u>Year Ending June 30,</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 269,334
2025	<u>45,151</u>
Total	<u>\$ 314,485</u>

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, 2022</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2023</u>
TAN	6/28/23	4.50%	<u>\$ -</u>	<u>\$ 45,000,000</u>	<u>\$ (45,000,000)</u>	<u>\$ -</u>

The TAN was issued to provide cash flow for the District until real property taxes are received from the Town.

Interest on short-term debt for the year was \$1,288,125. The District received a premium of \$285,750 for a net interest cost of \$1,002,375.

13. LONG-TERM LIABILITIES

A. Changes

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 21,190,000	\$	\$ (4,730,000)	\$ 16,460,000	\$ 3,665,000
Premium on bonds	806,560		(180,370)	626,190	101,602
	21,996,560	-	(4,910,370)	17,086,190	3,766,602
Installment purchase debt	3,074,848		(649,407)	2,425,441	668,311
Lease liabilities	68,581		(34,119)	34,462	34,462
	25,139,989	-	(5,593,896)	19,546,093	4,469,375
<u>Other long-term liabilities:</u>					
Compensated absences	23,115,109	333,653		23,448,762	1,100,000
Workers' compensation	2,872,717	162,839	(1,249,652)	1,785,904	900,000
	<u>\$ 51,127,815</u>	<u>\$ 496,492</u>	<u>\$ (6,843,548)</u>	<u>\$ 44,780,759</u>	<u>\$ 6,469,375</u>

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

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Serial Bonds				
Refunding Bond Series A	4/11/2013	4/15/2025	3.00% - 5.00%	\$ 3,485,000
Refunding Bond Series B	4/11/2013	8/15/2023	2.00% - 5.00%	1,375,000
Serial Bond - Library	2/6/2019	6/15/2038	1.55% - 5.00%	11,600,000
				<u>\$ 16,460,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 3,665,000	\$ 586,269	\$ 4,251,269
2025	2,385,000	454,494	2,839,494
2026	640,000	352,994	992,994
2027	670,000	320,994	990,994
2028	700,000	294,194	994,194
2029-2033	3,885,000	1,076,219	4,961,219
2034-2038	4,515,000	441,463	4,956,463
Total	<u>\$ 16,460,000</u>	<u>\$ 3,526,627</u>	<u>\$ 19,986,627</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Amortization of Deferred Amounts

In 2013, the District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. In addition, the District received a premium on the 2019 issuance of serial bonds on behalf of the Half Hollow Hill Community Library. These amounts are being amortized as a component of interest expense on a weighted average basis over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Amortization of Premium	Amortization of Deferred Charges	Interest Expense Increase/ (Decrease)
2024	\$ (101,602)	\$ 28,234	\$ (73,368)
2025	(48,004)	7,553	(40,451)
2026	(29,300)		(29,300)
2027	(30,674)		(30,674)
2028	(32,047)		(32,047)
2029-2033	(177,861)		(177,861)
2034-2038	(206,702)		(206,702)
Total	<u>\$ (626,190)</u>	<u>\$ 35,787</u>	<u>\$ (590,403)</u>

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Installment Purchase Debt	12/7/2010	7/15/2026	2.89%	<u>\$ 2,425,441</u>

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 668,311	\$ 65,301	\$ 733,612
2025	687,764	45,848	733,612
2026	707,784	25,828	733,612
2027	361,582	5,224	366,806
Total	<u>\$ 2,425,441</u>	<u>\$ 142,201</u>	<u>\$ 2,567,642</u>

E. Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
BOCES - Xerox Copiers	7/1/2020	6/30/2024	1.00%	<u>\$ 34,462</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is a summary of debt service requirements for lease liabilities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 34,462</u>	<u>\$ 530</u>	<u>\$ 34,992</u>

There were no variable payments or other payments made for the lease included above. In addition, there was one additional lease commitments entered into by the District for the 2023-2024 school year, which is not reflected above since it is new and is effective July 1, 2023.

F. Interest Expense

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

Interest paid	\$ 900,628
Less interest accrued in the prior year	(162,658)
Plus interest accrued in the current year	104,137
Less amortization of deferred amounts	<u>(122,072)</u>
Total	<u>\$ 720,035</u>

14. LIBRARY BOND

The voters of the Half Hollow Hills Community Library authorized the demolition, construction, and alterations for a new library. The voter-approved authorized amount was not to exceed the estimated total cost of \$14,500,000, and to levy and collect a tax in installments to pay the principal and interest on the \$14,500,000 of serial bonds.

Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budgeted tax levy sufficient enough to transfer to the District for the ensuing debt service payments.

On January 24, 2019, the District issued \$14,500,000 in serial bonds on behalf of the Library, which mature on June 15, 2038. As of June 30, 2023, the Library has incurred \$13,732,766 of expenditures that have been recorded in the capital projects fund.

15. 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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2022. The District's average contribution rate was 11.25% of covered payroll for the ERS' fiscal year ended March 31, 2023.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2023 was \$10,942,658 for TRS at the contribution rate of 10.29% and \$3,655,497 for ERS at an average contribution rate of 10.51%.

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

At June 30, 2023, 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, 2022, for TRS and March 31, 2023 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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2022	March 31, 2023
District's proportionate share of the net pension liability	\$ (11,512,166)	\$ (20,219,633)
District's portion of the Plan's total pension liability	0.599938%	0.0942903%
Change in proportion since the prior measurement date	(0.004045)	0.0007796

For the year ended June 30, 2023, the District recognized a pension expense of \$14,739,755 for TRS and \$7,591,461 for ERS. At June 30, 2023, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 12,063,293	\$ 2,153,549	\$ 230,684	\$ 567,844
Changes of assumptions	22,331,654	9,819,958	4,637,426	108,529
Net difference between projected and actual earnings on pension plan investments	14,874,810			118,789
Changes in proportion and differences between the District's contributions and proportionate share of contributions	800,172	1,439,299	746,245	238,348
District contributions subsequent to the measurement date	10,942,658	1,213,635		
Total	<u>\$ 61,012,587</u>	<u>\$ 14,626,441</u>	<u>\$ 5,614,355</u>	<u>\$ 1,033,510</u>

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

Year Ending June 30,	TRS	ERS
2024	\$ 8,752,203	\$ 3,113,221
2025	4,558,393	(744,781)
2026	(1,910,649)	4,390,585
2027	29,160,013	5,620,271
2028	3,697,455	
Thereafter	198,159	
	<u>\$ 44,455,574</u>	<u>\$ 12,379,296</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2022	March 31, 2023
Actuarial valuation date	June 30, 2021	April 1, 2022
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.50%

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

For TRS, the June 30, 2022 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. 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*. 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:

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2022		March 31, 2023
Asset class				
Domestic equity	33.0%	6.50%	32.0%	4.30%
International equity	16.0%	7.20%	15.0%	6.85%
Global equity	4.0%	6.90%		
Real estate equity	11.0%	6.20%	9.0%	4.60%
Private equity	8.0%	9.90%	10.0%	6.50%
Alternatives investments			10.0%	5.38-5.84%
Domestic fixed income	16.0%	1.10%		
Global fixed income	2.0%	0.60%		
High-yield bonds	1.0%	3.30%		
Fixed income			23.0%	1.50%
Private debt	2.0%	5.30%		
Real estate debt	6.0%	2.40%		
Cash and equivalents	1.0%	(0.30)%		
Cash			1.0%	0.00 %
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.5% for ERS.

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 assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.95% for TRS and 5.90% for 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:

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1% Decrease	Current Assumption	1% Increase
TRS	5.95%	6.95%	7.95%
District's proportionate share of the net pension asset (liability)	<u>\$ (106,147,568)</u>	<u>\$ (11,512,166)</u>	<u>\$ 68,075,586</u>
	1% Decrease	Current Assumption	1% Increase
ERS	4.90%	5.90%	6.90%
District's proportionate share of the net pension asset (liability)	<u>\$ (48,862,180)</u>	<u>\$ (20,219,633)</u>	<u>\$ 3,714,547</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2022	March 31, 2023
Employers' total pension liability	\$ (133,883,474)	\$ (232,627,259)
Plan fiduciary net position	<u>131,964,582</u>	<u>211,183,223</u>
Employers' net pension liability	<u>\$ (1,918,892)</u>	<u>\$ (21,444,036)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	98.57%	90.78%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023, are paid to the system in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023, represent employer and employee contributions for the fiscal year ended June 30, 2023, 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, 2023 amounted to \$10,934,648 of employer contributions and \$545,523 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2023, represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$1,213,635 of employer contributions. Employee contributions are remitted monthly.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. 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 based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2023, totaled \$793,740 and \$6,092,861 respectively.

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, 2023 totaled \$1,602,297.

17. 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 Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Employees Covered by Benefit Terms – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,510
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1,486</u>
	<u><u>2,996</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$478,999,572 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Inflation	2.40%
Salary increases	2.40% including inflation
Discount rate	3.65%
Healthcare cost trend rates	5.10% decreasing to an ultimate rate of 4.10% over 54 years
Retirees' share of benefit-related costs	15-40% of projected health insurance premiums for retirees

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

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table with generational projections of future improvements per the MP-2021 ultimate scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2022	<u>\$ 430,862,433</u>
Changes for the year	
Service cost	17,259,801
Interest on total OPEB liability	15,629,750
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	28,571,177
Benefit payments	<u>(13,323,589)</u>
	<u>48,137,139</u>
Balance at June 30, 2023	<u><u>\$ 478,999,572</u></u>

Changes of assumptions and other input reflects a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current discount rate:

	1% Decrease 2.65%	Discount Rate 3.65%	1% Increase 4.65%
<u>OPEB</u>			
Total OPEB liability	<u><u>\$ (558,304,937)</u></u>	<u><u>\$ (478,999,572)</u></u>	<u><u>\$ (414,872,282)</u></u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.10%) or 1 percentage point higher (6.10%) than the current healthcare cost trend rate:

	1% Decrease 4.10% decreasing to 3.10%	Healthcare Cost Trend Rates 5.10% decreasing to 4.10%	1% Increase 6.10% decreasing to 5.10%
OPEB			
Total OPEB liability	<u>\$ (399,060,376)</u>	<u>\$ (478,999,572)</u>	<u>\$ (582,196,693)</u>

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

For the year ended June 30, 2023, the District recognized an OPEB expense of \$27,169,340. At June 30, 2023, 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	\$ 139,563	\$ 16,402,113
Changes of assumptions and other inputs	<u>37,138,594</u>	<u>32,824,099</u>
Total	<u>\$ 37,278,157</u>	<u>\$ 49,226,212</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
2024	\$ 5,720,211
2025	4,221,390
2026	774,890
2027	1,444,778
2028	1,147,321
Thereafter	<u>(1,360,535)</u>
	<u>\$ 11,948,055</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

18. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2023, consists of that portion of the amount due from other governments for tuition and related services and payment in lieu of taxes due from the Suffolk County Industrial Tax Agency, which are unavailable. Unavailable revenues, in the general fund at June 30, 2023, total \$2,855,195.

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2023, is the amount due from New York State for a special legislative grant for interior door locksets for all District student occupied buildings and the Fran Greenspan Administrative Center. Unavailable revenues, in the capital projects fund at June 30, 2023, total \$500,000.

19. 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 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. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	<u>2022</u>	<u>2023</u>
Unpaid claims at beginning of year	\$ 2,797,622	\$ 2,872,717
Incurred claims and claim adjustment expenses	947,084	162,839
Claim payments	<u>(871,989)</u>	<u>(1,249,652)</u>
Unpaid claims at year end	<u>\$ 2,872,717</u>	<u>\$ 1,785,904</u>

At June 30, 2023, the District had \$4,644,024 of funds in the workers' compensation reserve.

C. Public Entity Risk Pool

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.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

20. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2023 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2024:

Workers' Compensation	\$ 1,300,000
Unemployment	75,000
Retirement Contributions	
Teachers' retirement system	1,800,000
Employees' retirement system	3,500,000
Employee Benefit Accrued Liability	<u>1,125,000</u>
	<u><u>\$ 7,800,000</u></u>

21. RESTRICTED FOR CAPITAL RESERVE

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

Date Created	May 2022
Number of Years to Fund	20
Maximum Funding	<u><u>\$ 40,000,000</u></u>
General Fund	
Funding Provided	\$ 12,114,112
Interest Earnings	188,901
Use of Reserve	<u> </u>
Balance as of June 30, 2023	<u><u>\$ 12,303,013</u></u>

22. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$4,275,000 has been appropriated to reduce taxes for the year ending June 30, 2024.

23. TAX ABATEMENTS

The Town of Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by \$5,195,603. The District received PILOT payments totaling \$3,165,277.

The Town of Huntington Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was not readily available. The District received PILOT payments totaling \$302,589.

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was not readily available. The District received PILOT payments totaling \$3,051,158.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

24. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2023, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General support	\$ 585,545
Instruction	248,490
Pupil Transportation	384
	<u>834,419</u>

Capital Projects Fund

Capital projects	<u>3,474,361</u>
	<u>\$ 4,308,780</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 administration 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.

25. SUBSEQUENT EVENTS

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

The District entered into a lease agreement with Western Suffolk BOCES to lease the rear wing of the former Chestnut Hill Elementary School, commencing in July 2023.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 213,314,421	\$ 214,189,439	\$ 214,190,186	\$ 747
Other tax items	14,217,125	13,342,107	13,644,006	301,899
Charges for services	1,200,000	1,221,667	2,077,447	855,780
Use of money and property	1,082,000	1,084,442	3,462,312	2,377,870
Sale of property and compensation for loss	132,000	324,714	315,712	(9,002)
Miscellaneous	1,600,000	1,622,752	1,888,601	265,849
Total Local Sources	231,545,546	231,785,121	235,578,264	3,793,143
State Sources	36,206,139	36,206,139	35,867,181	(338,958)
Medicaid Reimbursement	120,000	120,000	216,635	96,635
Federal Sources			100,281	100,281
Total Revenues	267,871,685	268,111,260	271,762,361	3,651,101
OTHER FINANCING SOURCES				
Operating transfers in	222,500	222,500	222,500	-
Total Revenues and Other Financing Sources	268,094,185	268,333,760	271,984,861	\$ 3,651,101
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	4,275,000	4,275,000		
Prior Year's Encumbrances	1,077,525	1,077,525		
Appropriated Reserves	7,800,000	7,800,000		
Total Appropriated Fund Balance	13,152,525	13,152,525		
Total Revenues, Other Sources, and Appropriated Fund Balance	\$ 281,246,710	\$ 281,486,285		

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.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 136,202	\$ 136,201	\$ 110,376	\$	\$ 25,825
Central administration	511,579	511,579	502,476		9,103
Finance	1,747,967	1,747,966	1,587,042		160,924
Staff	1,577,585	1,586,345	1,465,768		120,577
Central services	18,260,009	18,342,770	16,838,322	585,545	918,903
Special items	2,157,513	2,155,513	2,011,299		144,214
Total General Support	24,390,855	24,480,374	22,515,283	585,545	1,379,546
Instruction					
Administration & improvement	9,264,993	9,272,326	8,915,534	2,510	354,282
Teaching - regular school	84,522,152	84,372,352	80,310,794	127,812	3,933,746
Programs for students with disabilities	41,666,697	41,695,682	41,056,849	15,950	622,883
Occupational education	590,400	590,400	590,400		-
Teaching - special schools	338,861	409,174	379,350	113	29,711
Instructional media	5,349,280	5,454,199	4,915,580	69,499	469,120
Pupil services	12,957,539	12,936,664	12,412,845	32,606	491,213
Total Instruction	154,689,922	154,730,797	148,581,352	248,490	5,900,955
Pupil Transportation	18,451,725	18,560,906	15,892,666	384	2,667,856
Community Services	101,400	101,400	73,852		27,548
Employee Benefits	73,103,302	72,600,927	66,143,089		6,457,838
Debt Service					
Interest	500,000	1,002,375	1,002,375		-
Total Expenditures	271,237,204	271,476,779	254,208,617	834,419	16,433,743
OTHER FINANCING USES					
Operating Transfers Out	10,009,506	10,009,506	9,858,803		150,703
Total Expenditures and Other Uses	<u>\$ 281,246,710</u>	<u>\$ 281,486,285</u>	<u>264,067,420</u>	<u>\$ 834,419</u>	<u>\$ 16,584,446</u>
Net Change in Fund Balance			7,917,441		
Fund Balance - Beginning of Year			68,303,861		
Fund Balance - End of Year			<u>\$ 76,221,302</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.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Nine Fiscal Years

Teachers' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.599938%	0.603983%	0.582262%	0.576429%	0.582568%	0.594785%	0.601917%	0.599948%	0.610930%
District's proportionate share of the net pension asset/(liability)	\$ (11,512,166)	\$ 104,664,385	\$ (16,089,464)	\$ 14,975,656	\$ 10,534,364	\$ 4,520,958	\$ (6,446,785)	\$ 62,315,454	\$ 68,053,747
District's covered payroll	\$ 106,863,452	\$ 102,726,591	\$ 98,828,251	\$ 96,959,727	\$ 96,366,577	\$ 94,154,889	\$ 92,881,885	\$ 92,269,370	\$ 92,557,756
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	10.77 %	101.89 %	16.28 %	15.45 %	10.93 %	4.80 %	6.94 %	67.54 %	73.53 %
Plan fiduciary net position as a percentage of the total pension liability	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0942903%	0.0935107%	0.0938976%	0.0984622%	0.0992998%	0.1058445%	0.0990451%	0.1039717%	0.1061533%
District's proportionate share of the net pension asset/(liability)	\$ (20,219,633)	\$ 7,644,111	\$ (93,498)	\$ (23,073,366)	\$ (7,035,694)	\$ (3,416,072)	\$ (9,306,503)	\$ (16,687,754)	\$ (3,586,120)
District's covered payroll	\$ 35,670,466	\$ 33,150,108	\$ 31,717,758	\$ 31,069,979	\$ 32,564,418	\$ 30,369,320	\$ 32,083,310	\$ 29,152,666	\$ 29,816,065
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	56.68 %	23.06 %	0.29 %	74.26 %	21.61 %	11.25 %	29.01 %	57.24 %	12.03 %
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,942,658	\$ 10,418,256	\$ 9,760,376	\$ 8,756,183	\$ 10,206,576	\$ 9,299,590	\$ 11,034,953	\$ 12,316,138	\$ 15,798,088	\$ 14,664,619
Contributions in relation to the contractually required contribution	<u>10,942,658</u>	<u>10,418,256</u>	<u>9,760,376</u>	<u>8,756,183</u>	<u>10,206,576</u>	<u>9,299,590</u>	<u>11,034,953</u>	<u>12,316,138</u>	<u>15,798,088</u>	<u>14,664,619</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	\$ 106,934,648	\$ 106,863,452	\$ 102,726,591	\$ 98,828,251	\$ 96,959,727	\$ 96,366,577	\$ 94,154,889	\$ 92,881,885	\$ 92,269,370	\$ 92,557,756
Contributions as a percentage of covered payroll	10%	10%	10%	9%	11%	10%	12%	13%	17%	16%

Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,655,497	\$ 4,947,788	\$ 4,677,549	\$ 4,588,470	\$ 4,368,155	\$ 4,688,965	\$ 4,352,370	\$ 5,041,157	\$ 5,242,459	\$ 5,237,154
Contributions in relation to the contractually required contribution	<u>3,655,497</u>	<u>4,947,788</u>	<u>4,677,549</u>	<u>4,588,470</u>	<u>4,368,155</u>	<u>4,688,965</u>	<u>4,352,370</u>	<u>5,041,157</u>	<u>5,242,459</u>	<u>5,237,154</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	\$ 34,789,278	\$ 32,786,034	\$ 31,841,694	\$ 33,190,428	\$ 32,987,939	\$ 31,239,160	\$ 30,717,043	\$ 29,376,695	\$ 30,698,053	\$ 28,731,806
Contributions as a percentage of covered payroll	11%	15%	15%	14%	13%	15%	14%	17%	17%	18%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Six Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 17,259,801	\$ 20,206,405	\$ 20,816,944	\$ 17,738,016	\$ 19,004,281	\$ 18,450,758
Interest on total OPEB liability	15,629,750	10,166,999	9,910,453	14,707,239	13,016,243	12,414,015
Changes in benefit terms	-	-	-	141,340	-	-
Differences between expected and actual experience	-	(9,303,576)	-	(22,434,229)	-	520,191
Changes of assumptions or other inputs	28,571,177	(34,261,706)	3,815,630	25,303,378	(33,473,683)	-
Benefit payments	<u>(13,323,589)</u>	<u>(12,799,009)</u>	<u>(10,561,394)</u>	<u>(10,019,552)</u>	<u>(11,875,887)</u>	<u>(11,852,734)</u>
Net change in total OPEB liability	48,137,139	(25,990,887)	23,981,633	25,436,192	(13,329,046)	19,532,230
Total OPEB liability, beginning	<u>430,862,433</u>	<u>456,853,320</u>	<u>432,871,687</u>	<u>407,435,495</u>	<u>420,764,541</u>	<u>401,232,311</u>
Total OPEB liability, ending	<u><u>\$ 478,999,572</u></u>	<u><u>\$ 430,862,433</u></u>	<u><u>\$ 456,853,320</u></u>	<u><u>\$ 432,871,687</u></u>	<u><u>\$ 407,435,495</u></u>	<u><u>\$ 420,764,541</u></u>
Covered employee payroll	\$ 127,718,227	\$ 127,718,227	\$ 122,670,095	\$ 122,670,095	\$ 117,557,023	\$ 117,557,023
Total OPEB liability as a percentage of covered employee payroll	375.04%	337.35%	372.42%	352.87%	346.59%	357.92%
Discount rate	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	5.10% to 4.10% over 54 years	5.10% to 4.10% by 2076	6.60% to 4.10% by 2077	6.60% to 4.10% by 2076	7.50% to 4.50% by 2026	7.50% to 4.50% by 2023

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

Note to Required Supplementary Information

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

HALF HOLLOW HILLS CENTRAL 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, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 280,169,185
Additions:	
Prior year's encumbrances	<u>1,077,525</u>
Original Budget	281,246,710
Budget revisions	<u>239,575</u>
Final Budget	<u><u>\$ 281,486,285</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-2024 voter-approved expenditure budget	<u><u>\$ 289,790,216</u></u>
Maximum allowed (4% of 2023-2024 budget)	<u><u>\$ 11,591,609</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 5,109,419	
Unassigned fund balance	<u>11,591,609</u>	
		\$ 16,701,028

Less:		
Appropriated fund balance	4,275,000	
Encumbrances	<u>834,419</u>	
Total adjustments		<u>5,109,419</u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 11,591,609</u></u>
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Actual Percentage	4.00%
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HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For the Year Ended June 30, 2023

PROJECT TITLE	Budget June 30, 2022	Budget June 30, 2023	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2023
			Prior Years	Current Year	Total		Proceeds of Obligations	Grant Aid	Local Sources	Total	
2017-18 Projects											
Signal Hill - Roof Replacement	\$ 159,805	\$ 156,242	\$ 156,242	\$	\$ 156,242	\$ -	\$	\$	\$ 156,242	\$ 156,242	\$ -
Paumonok - Roof Replacement	1,041,020	1,041,020	1,041,020		1,041,020	-			1,041,020	1,041,020	-
Candlewood - Roof Replacement	1,127,501	1,121,320	1,117,487		1,117,487	3,833			1,121,320	1,121,320	3,833
HSE - Orchestra	386,182	386,182	376,394		376,394	9,788			386,182	386,182	9,788
HSE - Gymnasium Air Vents	75,073	75,073	75,073		75,073	-			75,073	75,073	-
HSE - Chiller	88,084	88,084	88,084		88,084	-			88,084	88,084	-
Natatorium Renovations - Phase II	695,000	652,720	632,719		632,719	20,001			652,720	652,720	20,001
Ostego - Fuel Tank	112,820	232,070	-	227,868	227,868	4,202			232,070	232,070	4,202
FGAC - Roof Replacement	444,742	377,516	377,516		377,516	-			377,516	377,516	-
Sunquam - Drainage	138,823	138,823	138,823		138,823	-			138,823	138,823	-
2018-19 Projects											
HSE - Window Replacement	2,000,000	2,000,000	115,362	1,834,908	1,950,270	49,730			2,000,000	2,000,000	49,730
Vanderbilt - Parking Lot Expansion	448,806	448,806	448,056		448,056	750			448,806	448,806	750
HSW - Boiler Replacement	1,935,164	1,935,164	1,549,243	117,763	1,667,006	268,158			1,935,164	1,935,164	268,158
Transportation - Drainage & Pavement	569,601	569,601	537,121		537,121	32,480			569,601	569,601	32,480
2019-20 Projects											
HSE - Chairlift, Ramp, Water Tank	369,416	340,142	179,348	144,465	323,813	16,329			340,142	340,142	16,329
HSW - Elevator Modernization	330,000	287,842	228,671	38,827	267,498	20,344			287,842	287,842	20,344
WH - Roof, HW Heater, Cooling Tower	3,720,000	3,642,222	3,171,977	206,127	3,378,104	264,118			3,642,222	3,642,222	264,118
VA - Ceiling Tile Replacement	75,000	224,210	267,026	344	267,370	(43,160)			224,210	224,210	(43,160)
PAU - Ceiling Tile Replacement	315,000	315,000	309,790	119	309,909	5,091			315,000	315,000	5,091
2020-21 Projects											
HSW - Turf Field & Bathroom	1,100,000	866,179	794,555	70,857	865,412	767			866,179	866,179	767
SH - Roof Replacement	555,000	555,000	545,690		545,690	9,310			555,000	555,000	9,310
Paumonok - Storage Tank & Windows	300,000	228,201	10,764	197,729	208,493	19,708			228,201	228,201	19,708
HSE - Auditorium & Lecture Hall	143,433	449,053	420,612	28,441	449,053	-			449,053	449,053	-
2021-22 Projects											
WH - Elevator/Boiler/Air Handling	1,554,200	1,554,200	36,000	597,066	633,066	921,134			1,554,200	1,554,200	921,134
HSE - Turf Field & Bathroom Renovations	1,335,576	2,771,976	34,386	1,540,234	1,574,620	1,197,356			2,771,976	2,771,976	1,197,356
HSW - Elevator	8,624	8,624	-	8,624	8,624	-			8,624	8,624	-
DW Capital Projects - GC			-		-	-				-	-
Smart Schools Bond Act	2,717,346	2,717,346	35	56,698	56,733	2,660,613		2,717,346		2,717,346	2,660,613
2022-23 Projects											
SQ - Ventilation/Air Handling Units		274,499		12,261	12,261	262,238			274,499	274,499	262,238
CW - Track/Bathroom Renovations		1,039,101		52,038	52,038	987,063			1,039,101	1,039,101	987,063
Administration - Interior Lockset	1,678,637	1,678,637	1,343,989		1,343,989	334,648		500,000	1,178,637	1,678,637	334,648
Library Bond	14,500,000	14,500,000	13,535,388	197,378	13,732,766	767,234	14,500,000			14,500,000	767,234
Totals	\$ 37,924,853	\$ 40,674,853	\$ 27,531,371	\$ 5,331,747	\$ 32,863,118	\$ 7,811,735	\$ 14,500,000	\$ 3,217,346	\$ 22,957,507	\$ 40,674,853	7,811,735
								Smart Schools Bond Act monies not yet received			(2,717,346)
								Grant Aid Revenue Not Realized			(500,000)
											\$ 4,594,389

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2023

Capital assets, net	<u>\$ 108,031,317</u>
Add:	
Deferred charge from advance refunding	<u>35,787</u>
Deduct:	
Capital related liability - accounts payable	207,075
Short-term portion of bonds payable	3,665,000
Long-term portion of bonds payable	12,795,000
Premium on bonds payable	626,190
Less: unspent bond proceeds	(767,234)
Short-term portion of installment purchase debt	668,311
Long-term portion of installment purchase debt	1,757,130
Short-term portion of lease liabilities	<u>34,462</u>
	<u>18,985,934</u>
Net investment in capital assets	<u><u>\$ 89,081,170</u></u>



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

To the Board of Education
Half Hollow Hills Central School District
Dix Hills, 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 fiduciary fund of the Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2023. That report included a qualified opinion on the extraclassroom activity funds based on a scope limitation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Half Hollow Hills Central School District's internal control over financial reporting (internal control) as a basis for designing 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 Half Hollow Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Half Hollow Hills Central School 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 District'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Half Hollow Hills Central School 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 financial statements. 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Half Hollow Hills Central School District in a separate letter dated October 16, 2023.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 16, 2023



**HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS
FINANCIAL STATEMENT WITH
INDEPENDENT AUDITOR'S REPORT**

June 30, 2023

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
June 30, 2023

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VINCENT D. CULLEN, CPA
(1950 - 2013)
PETER F. RODRIGUEZ, CPA
(RET.)

INDEPENDENT AUDITOR'S REPORT

Board of Education
Half Hollow Hills Central School District
Dix Hills, New York

Qualified Opinion

We have audited the accompanying Statement of Cash Receipts and Disbursements of the Half Hollow Hills Central School District's (District) extraclassroom activity funds for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the District's financial statement as listed in the table of contents.

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion section of our report, the financial statement referred to in the paragraph above presents fairly, in all material respects, the cash transactions of the extraclassroom activity funds of the Half Hollow Hills Central School District for the year ended June 30, 2023, in accordance with the cash basis of accounting described in Note I.B.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Half Hollow Hills Central School 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 qualified-audit opinion.

Matter Giving Rise to the Qualified Opinion

The fundraising cash receipts records of the student activities that comprise the extraclassroom activity funds of the Half Hollow Hills Central School District were not sufficient to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Emphasis of Matter - Basis of Accounting

We draw attention to Note I.B. of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note I.B; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the extraclassroom activity funds' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement, 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 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 statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the extraclassroom activity funds' 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.

Cullen & Danowski, LLP

October 16, 2023

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2023

	Cash Balance June 30, 2022	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2023
CLUBS				
Half Hollow Hills HS East				
Class of 2023	\$ 25,030	\$ 59,281	\$ 69,572	\$ 14,739
Class of 2024	154	14,499	14,462	191
Class of 2025	488		488	-
Class of 2026	-	500	27	473
Academic Team	254			254
African American Society	9			9
Amnesty International	1,756			1,756
Animal Friends	94	700	600	194
Architecture Club	211		116	95
Art Honor Society	3,023	1,639	1,926	2,736
Asian American Club	50			50
Astronomy Club	46			46
Best Buddies	8,737		650	8,087
Business Honor Society	3,297	360		3,657
Chamber Choir	1,253	3,830	3,990	1,093
Cheerleading	880		508	372
Chinese Culture	275	144		419
Constitution Club	2,720	7,500	7,761	2,459
DECA	2,085	27,797	28,355	1,527
Drama	4,363	7,423	3,226	8,560
Fashion Club	544	228	40	732
FBLA	1,360	1,040	679	1,721
Film Club	664	568	202	1,030
French Club	943	285	165	1,063
Future Doctors of America	1,376			1,376
Future Educators	215	110	92	233
GSA	574		487	87
HHH East Music	2,484	77,976	79,103	1,357
Horticulture	362	345		707
Ichthus Club	221			221
Indian American Club	60	130	115	75
Interact	2,191	742	1,129	1,804
Italian Club	313	80	393	-
Key Club	2,055	640	579	2,116
Kickline	441	1,057	357	1,141
Math Honor Society	160	1,097	1,067	190
Model UN	1,004	27		1,031
Musical	16,264	19,500	7,713	28,051
Music Honor Society	2,307	6,210	4,170	4,347
Muslim Student Association	157			157
National Chinese Honor Society	1,062	1,985	1,915	1,132
National French Honor Society	3,696	580	513	3,763
National Honor Society	6,171	1,380	3,239	4,312
National Spanish Honor Society	967			967
One World Youth	653	448	334	767
Orchestra	3,064	3,025	3,876	2,213
Peer Aids Educators	635			635
Peer Ambassadors	166			166
Pegasus	2,826			2,826
Photo Club	144			144
Rising Stars	330		149	181
Robotics	1,250	110		1,360
SADD	1,752		608	1,144
School Store	11,512	654	3,967	8,199
Science Explorers	7			7
Science Honor Society	2,303	679		2,982
Science Olympiads	181	50		231
Senior Experience	396	175	381	190
Social Studies Honor Society	-			-
Spanish Club	1,791			1,791
Speech & Debate	427	16,590	16,742	275
Stage Crew	476	2,994	29	3,441
Subtotal Half Hollow Hills HS East	128,229	262,378	259,725	130,882

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2023
(Continued)

	Cash Balance June 30, 2022	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2023
Half Hollow Hills HS East Clubs (cont'd)				
Strong/Lawn	\$ 7	\$ 1,400	\$ 1,400	\$ 7
Student Government	81	4,079	4,369	(209)
Sustainability	737	215		952
Thespian	742			742
Thunderbird	58			58
Yearbook	10,706	9,369	5,975	14,100
Total Half Hollow Hills HS East	140,560	277,441	271,469	146,532
Half Hollow Hills HS West Clubs				
Class of 2022	1,197	478	744	931
Class of 2023	5,458	30,878	33,101	3,235
Class of 2024	2,609	3,066	2,833	2,842
Class of 2025	2,160	708	149	2,719
AASO	1,703		200	1,503
Art Club	76			76
Art Honor Society	1,132	1,066	1,818	380
Asian Club	688			688
Athletes Helping Athletes	181			181
Business Honor (Brainstormers)	111			111
Cheerleaders	-			-
Chess Club	180	170		350
Chinese Culture Club	162	469	150	481
Chorus West	289	5,790	5,790	289
Colts R Us (Friendship Club)	169	270	228	211
Computer Club	159			159
Cooking Club	3	1,240	1,167	76
DECA	994	7,508	7,426	1,076
Environmental Club	1,886	2,000		3,886
FBLA	3,417	3,845	4,139	3,123
French Club	66			66
FTC	2,319	2,900	5,140	79
Future Educators	370			370
Ichthus Club	18	116	116	18
Interact	2,005	311	720	1,596
Italian Club	383	18,000	18,084	299
Key Club	185	2,423	2,423	185
Kickline	632	4,395	4,401	626
Muslim Student Association	556	226	36	746
National Honor Society	3,470	1,360	900	3,930
One World	202	262	272	192
Peer Aids	404			404
SADD	311	658	600	369
School Newspaper	36			36
Science Honor Society	955	2,114	1,646	1,423
Science Olympiad	384	950	1,302	32
School Store	9,848			9,848
Senior Experience	203	5,200	5,058	345
Spanish Honor Society	1,747	2,034	1,460	2,321
Step	615		100	515
Student Senate	1,837	2,549	2,708	1,678
Symphonic Band	308			308
TAP	663			663
Theatre West	10,938	21,055	16,965	15,028
Tri M	3,155	86,733	86,182	3,706
Varsity Club	1,826	1,440	3,265	1
Westhespians	1,288		371	917
Wise	460	350	258	552
Womens Empower	226	60		286
Yearbook	22,871	9,495	1,746	30,620
Zakat	-	-	-	-
Total Half Hollow Hills HS West	90,855	220,119	211,498	99,476

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2023
(Continued)

	Cash Balance <u>June 30, 2022</u>	Receipts and <u>Transfers</u>	Disbursements and <u>Transfers</u>	Cash Balance <u>June 30, 2023</u>
Candlewood Middle School				
Chamber Orchestra	\$ 162	\$ 14,574	\$ 12,920	\$ 1,816
Dance Line	472			472
Dramatic Arts	13,236	10,201	18,244	5,193
Eighth Grade	29,845	21,676	25,694	25,827
National Jr Honor Society	5,621		36	5,585
Service Club	5,790	2,530	2,375	5,945
Student Council	13,830	3,858	3,171	14,517
Yearbook	<u>15,265</u>	<u>17,101</u>	<u>15,950</u>	<u>16,416</u>
Total Candlewood Middle School	<u>84,221</u>	<u>69,940</u>	<u>78,390</u>	<u>75,771</u>
West Hollow Middle School				
Dramatic Arts	15,908	41,030	31,704	25,234
Environmental	625			625
Hi-Tech	10			10
National Junior Honor Society	278			278
SADD	33			33
School Store	9,426	3,672	8,288	4,810
Student Council	13,251	33,556	31,811	14,996
Tri-M	530	410	396	544
Yearbook	<u>6,980</u>	<u>15,057</u>	<u>17,671</u>	<u>4,366</u>
Total West Hollow Middle School	<u>47,041</u>	<u>93,725</u>	<u>89,870</u>	<u>50,896</u>
Grand Total	<u><u>\$ 362,677</u></u>	<u><u>\$ 661,225</u></u>	<u><u>\$ 651,227</u></u>	<u><u>\$ 372,675</u></u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENT
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The extraclassroom activity funds represent funds of the students of the Half Hollow Hills Central School District. Although, the extraclassroom activity funds are independent of the Half Hollow Hills Central School District with respect to its financial transactions and the designation of student management and the individual transactions related to the activities of the funds, the Board of Education exercises general oversight of these funds and it has been determined that District management exercises administrative involvement with respect to the financial transactions. Based on these criteria, the extraclassroom activity funds are included in the Half Hollow Hills Central School District's reporting entity and reported as a special revenue fund.

B. Basis of Accounting

The accompanying financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because receivables and payables, inventory, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statement.

C. 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 extraclassroom activity funds' aggregate bank balances were covered by FDIC insurance or fully collateralized by securities on the District's behalf at year end.

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VINCENT D. CULLEN, CPA
(1950 - 2013)
PETER F. RODRIGUEZ, CPA
(RET.)

October 16, 2023

To the Board of Education
Half Hollow Hills Central School District
Dix Hills, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Half Hollow Hills Central School District (District) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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.

During our prior year audit we noted certain opportunities for strengthening internal controls and operating efficiency. The memorandum updates those prior year findings and suggestions concerning those matters. This letter does not affect our report dated October 16, 2023, on the financial statements of the Half Hollow Hills Central School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with. It is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cullen & Danowski, LLP
Cullen & Danowski, LLP

STATUS OF PRIOR YEAR COMMENTS

Summer Program for Students with Disabilities

The District provides programs for students with disabilities under §4408 and §4201 of the Education Law. The District is entitled to State reimbursements for a portion of qualified education, student maintenance and transportation costs for the programs. The District provides the funding for the remaining costs, as well as any non-reimbursable costs. The aid is claimed through what is known as the STAC (System to Track and Account for Children) process. In order to receive the state aid, the District must verify costs through the STAC process.

During our prior year audit, based on our review of 2021-22 STAC approved costs of \$1,487,267, only \$209,652 of the summer §4408 program-related costs had gone through the on-line verification process. In order to receive the state aid reimbursement, the District must verify the remaining costs submitted through the STAC process.

During our current year audit, we noted that the District had 2022-23 STAC approved costs of \$2,634,431, however, the District only completed the on-line verification for \$2,421,492 for the summer §4408 program. This resulted in the District having \$212,940 of costs that will not be reimbursed by the state until these costs are verified on-line.

We recommend that the District's review the STAC approved costs and complete the on-line verification for all these costs so they can maximize the state reimbursement.

School Food Service Fund

The District's school lunch program serves lunches to students and District employees. Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school lunch fund to an amount that does not exceed three months average expenditures.

During our prior year audit, we noted that the school lunch fund's fund balance was in excess of three month's average expenditures by approximately \$86,000.

During our current year audit, we noted that the school lunch fund's fund balance was in excess of three month's average expenditures by approximately \$175,000.

We recommend that the District monitor its school food service fund balance in order to be in compliance with Federal Regulation, 7CFR Part 210.14b.