



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2024

**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, 2024, 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 Activities Fund | <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 on Extraclassroom Activities Fund*

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 activities fund of Half Hollow Hills Central School District, as of June 30, 2024, 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 activities fund, and the fiduciary fund of Half Hollow Hills Central School District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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 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 Activities Fund*

The cash receipts records of the student activities that comprise the extraclassroom activities fund of 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 18 and 58 through 62, 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 63 through 65 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, 2024, on our consideration of 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 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 Half Hollow Hills Central School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 16, 2024

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

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

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2024 are as follows:

- The District's total net position was a deficit of \$327,077,196 in the district-wide financial statements at June 30, 2024. The deficit increased by \$23,518,848 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 \$317,032,085. Of this amount, \$13,899,229 was offset by program charges for services, and operating grants and contributions. General revenues of \$279,614,008 amount to 95.3% 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 \$79,040,211 at June 30, 2024. This balance represents a \$2,818,909 increase (3.70%) 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 \$1,539,066 due to Board-approved transfers and interest earned, net of amounts used to pay current period expenses.
  - Assigned fund balance increased \$914,972, due to an increase in appropriated fund balance offset by less open encumbrances at year end.
  - Unassigned fund balance increased by \$364,871 to \$11,956,480.
- The District's 2024 property tax levy of \$224,541,381 was a 1.46% increase over the 2023 tax levy and was equal to the property tax cap.
- On May 21, 2024, the 2024-2025 budget in the amount of \$298,912,008 was approved by the District's voters. The property tax levy was \$230,235,146 and was a 2.54% increase over the 2023-2024 tax levy, which was equal to the allowable tax cap.
- On May 21, 2024, the voters of the District approved the establishment of a new building improvements capital reserve fund in the amount of \$30,000,000 to be funded over a period of 20 years for the purpose of financing district-wide capital improvements.
- The District continues to receive the highest fiscal stress monitoring rating of "No Designation" (best rating) on the last available report from the Office of the New York State Comptroller.
- 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 2024-2025 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)

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**A. District-wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

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

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Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, 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 activities fund, and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

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

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

**A. Net Position**

The District's total net position (deficit) increased by \$23,518,848 between fiscal year 2024 and 2023 to \$327,077,196. 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)

|                                                  | 2024                    | 2023                    | Increase<br>(Decrease) | Percentage<br>Change |
|--------------------------------------------------|-------------------------|-------------------------|------------------------|----------------------|
| <b>Assets</b>                                    |                         |                         |                        |                      |
| Current and Other Assets                         | \$ 122,190,842          | \$ 110,220,875          | \$ 11,969,967          | 10.86 %              |
| Capital Assets, Net                              | <u>104,832,563</u>      | <u>108,031,317</u>      | <u>(3,198,754)</u>     | (2.96)%              |
| Total Assets                                     | <u>227,023,405</u>      | <u>218,252,192</u>      | <u>8,771,213</u>       | 4.02 %               |
| <b>Deferred Outflows of Resources</b>            | <u>89,719,150</u>       | <u>112,952,972</u>      | <u>(23,233,822)</u>    | (20.57)%             |
| <b>Liabilities</b>                               |                         |                         |                        |                      |
| Current and Other Liabilities                    | 26,756,092              | 23,062,820              | 3,693,272              | 16.01 %              |
| Long-Term Liabilities                            | 43,636,026              | 44,780,759              | (1,144,733)            | (2.56)%              |
| Total OPEB Liability                             | 483,313,963             | 478,999,572             | 4,314,391              | 0.90 %               |
| Net Pension Liabilities -<br>Proportionate Share | <u>21,593,180</u>       | <u>31,731,799</u>       | <u>(10,138,619)</u>    | (31.95)%             |
| Total Liabilities                                | <u>575,299,261</u>      | <u>578,574,950</u>      | <u>(3,275,689)</u>     | (0.57)%              |
| <b>Deferred Inflows of Resources</b>             | <u>68,520,490</u>       | <u>56,188,562</u>       | <u>12,331,928</u>      | 21.95 %              |
| <b>Net Position (Deficit)</b>                    |                         |                         |                        |                      |
| Net Investment in Capital Assets                 | 89,073,367              | 89,081,170              | (7,803)                | (0.01)%              |
| Restricted                                       | 62,621,219              | 60,317,850              | 2,303,369              | 3.82 %               |
| Unrestricted (Deficit)                           | <u>(478,771,782)</u>    | <u>(452,957,368)</u>    | <u>(25,814,414)</u>    | (5.70)%              |
| Total Net Position (Deficit)                     | <u>\$ (327,077,196)</u> | <u>\$ (303,558,348)</u> | <u>\$ (23,518,848)</u> | (7.75)%              |

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

The decrease in capital assets, net is due to depreciation/amortization expenses in excess of capital asset additions. In the accompanying Notes to Financial Statements, Note 9 "Capital Assets" 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 higher accounts payable, accrued liabilities, and amounts due to the employees' retirement system, offset by decreases in amounts due to other governments and the teachers' retirement system.

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

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

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Total OPEB liability increased, based on an actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 18 "Postemployment Healthcare Benefits", provides additional information.

Net pension liabilities – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) and the New York State and Local Employees' Retirement System's (ERS) collective net pension liabilities, at the measurement date of the respective year. The decrease in net pension liabilities is primarily due to the net change in the market value of both the TRS' and ERS' pension plan assets being in excess of the net change in each plan's total pension liabilities at their current year measurement dates. The accompanying Notes to Financial Statements, Note 16 "Pension Plans – New York State" provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years, as well as the amount of long-term leases receivable that will be amortized and recognized as lease revenues over the terms 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, 2024 and 2023 is as follows:

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

|                                  | 2024                   | 2023                  | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------------------|------------------------|-----------------------|------------------------|----------------------|
| <b>Revenues</b>                  |                        |                       |                        |                      |
| Program Revenues                 |                        |                       |                        |                      |
| Charges for Services             | \$ 3,784,128           | \$ 3,905,902          | \$ (121,774)           | (3.12)%              |
| Operating Grants & Contributions | 10,115,101             | 10,012,370            | 102,731                | 1.03 %               |
| General Revenues                 |                        |                       |                        |                      |
| Property Taxes and STAR          | 224,542,324            | 221,315,168           | 3,227,156              | 1.46 %               |
| State Sources                    | 41,629,178             | 35,867,181            | 5,761,997              | 16.06 %              |
| Other                            | 13,442,506             | 12,736,193            | 706,313                | 5.55 %               |
| Total Revenues                   | <u>293,513,237</u>     | <u>283,836,814</u>    | <u>9,676,423</u>       | 3.41 %               |
| <b>Expenses</b>                  |                        |                       |                        |                      |
| General Support                  | 33,006,251             | 29,550,769            | 3,455,482              | 11.69 %              |
| Instruction                      | 259,502,990            | 240,679,559           | 18,823,431             | 7.82 %               |
| Pupil Transportation             | 19,156,551             | 18,470,041            | 686,510                | 3.72 %               |
| Community Services               | 161,311                | 117,468               | 43,843                 | 37.32 %              |
| Debt Service - Interest          | 1,649,919              | 1,722,410             | (72,491)               | (4.21)%              |
| Food Service Program             | 3,555,063              | 3,018,898             | 536,165                | 17.76 %              |
| Total Expenses                   | <u>317,032,085</u>     | <u>293,559,145</u>    | <u>23,472,940</u>      | 8.00 %               |
| Decrease in Net Position         | <u>\$ (23,518,848)</u> | <u>\$ (9,722,331)</u> | <u>\$ (13,796,517)</u> | (141.91)%            |

The change in net position represents the District's operating profit (loss) using the economic resources measurement focus and the accrual basis of accounting. The District's net position decreased by \$23,518,848 and \$9,722,331 for the years ended June 30, 2024 and 2023, respectively.

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

- State sources increased largely due to increases in general, lottery, and excess cost aids.
- Real property taxes and STAR combined were increased to fund additional appropriations in the voter-approved 2023-2024 budget.

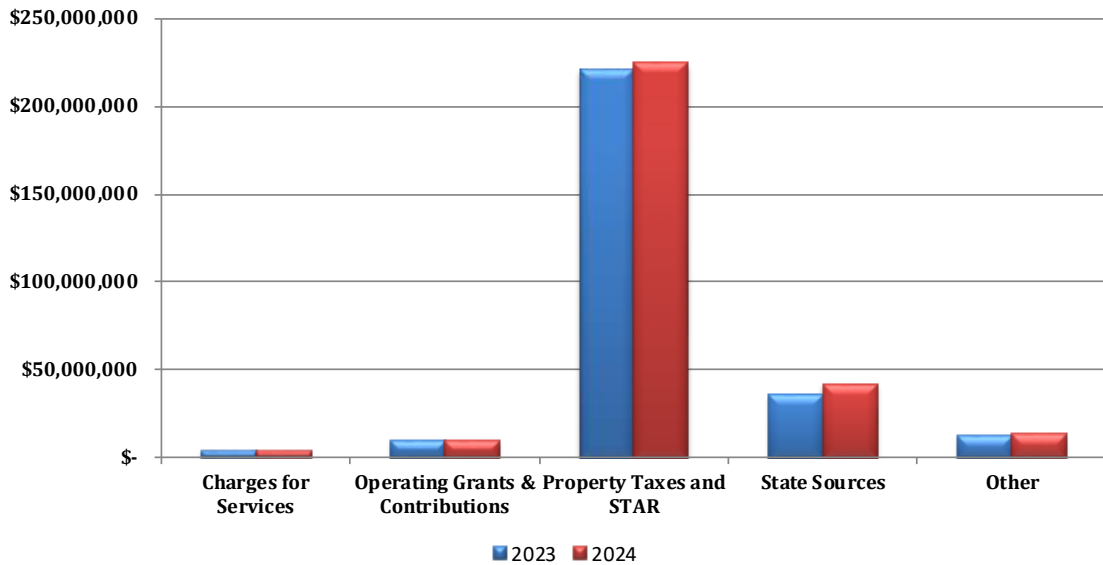
The District's expenses increased when compared to the prior year, primarily due to the following major changes:

- General support, instruction, and pupil transportation largely increased based on the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs.
- Food service program expenditures increased largely due to increased costs for program operations.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 76.5% and 78.0% of the total for the years 2024 and 2023, respectively). Instruction expense is the largest category of expenses incurred (i.e., 81.9% and 82.0% of the total for the years 2024 and 2023, respectively).

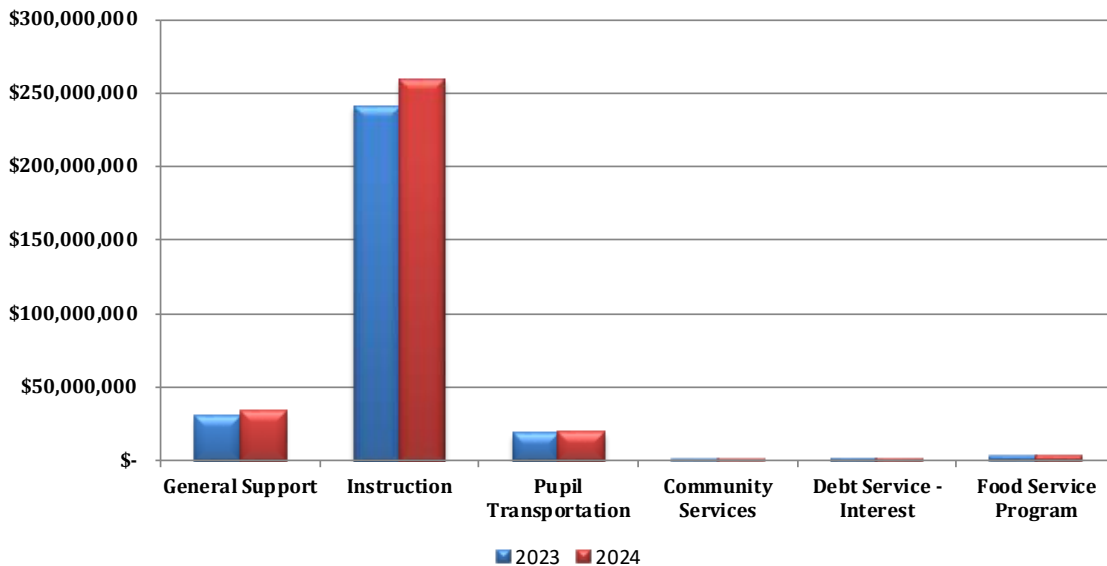
**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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



|      | Charges for Services | Operating Grants & Contributions | Property Taxes and STAR | State Sources | Other |
|------|----------------------|----------------------------------|-------------------------|---------------|-------|
| 2023 | 1.4%                 | 3.5%                             | 78.0%                   | 12.6%         | 4.5%  |
| 2024 | 1.3%                 | 3.4%                             | 76.5%                   | 14.2%         | 4.6%  |

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 |
|------|-----------------|-------------|----------------------|--------------------|-------------------------|----------------------|
| 2023 | 10.1%           | 82.0%       | 6.3%                 | 0.0%               | 0.6%                    | 1.0%                 |
| 2024 | 10.4%           | 81.9%       | 6.0%                 | 0.1%               | 0.5%                    | 1.1%                 |

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

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

At June 30, 2024, the District's governmental funds reported a combined fund balance of \$89,226,388, which is an increase of \$5,633,876 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:

|                                       | 2024                 | 2023                 | Increase<br>(Decrease) | Percentage<br>Change |
|---------------------------------------|----------------------|----------------------|------------------------|----------------------|
| <b>General Fund</b>                   |                      |                      |                        |                      |
| Restricted:                           |                      |                      |                        |                      |
| Workers' compensation                 | \$ 4,014,072         | \$ 4,644,024         | \$ (629,952)           | (13.56)%             |
| Unemployment insurance                | 3,056,534            | 2,951,861            | 104,673                | 3.55 %               |
| Retirement contribution               |                      |                      |                        |                      |
| Teachers' retirement system           | 2,614,567            | 2,298,030            | 316,537                | 13.77 %              |
| Employees' retirement system          | 20,006,174           | 21,419,931           | (1,413,757)            | (6.60)%              |
| Property loss                         | 1,606,392            | 1,528,861            | 77,531                 | 5.07 %               |
| Liability                             | 545,949              | 519,599              | 26,350                 | 5.07 %               |
| Employee benefit accrued liability    | 13,788,731           | 13,854,955           | (66,224)               | (0.48)%              |
| Capital                               | 15,426,921           | 12,303,013           | 3,123,908              | 25.39 %              |
| Assigned:                             |                      |                      |                        |                      |
| Appropriated fund balance             | 5,275,000            | 4,275,000            | 1,000,000              | 23.39 %              |
| Unappropriated fund balance           | 749,391              | 834,419              | (85,028)               | (10.19)%             |
| Unassigned: Fund balance              | 11,956,480           | 11,591,609           | 364,871                | 3.15 %               |
|                                       | <u>79,040,211</u>    | <u>76,221,302</u>    | <u>2,818,909</u>       | 3.70 %               |
| <b>School Food Service Fund</b>       |                      |                      |                        |                      |
| Nonspendable: Inventory               | 84,768               | 81,402               | 3,366                  | 4.14 %               |
| Assigned: Unappropriated fund balance | 1,817,461            | 1,525,168            | 292,293                | 19.16 %              |
|                                       | <u>1,902,229</u>     | <u>1,606,570</u>     | <u>295,659</u>         | 18.40 %              |
| <b>Debt Service Fund</b>              |                      |                      |                        |                      |
| Restricted: Debt                      | <u>1,173,541</u>     | <u>437,730</u>       | <u>735,811</u>         | 168.10 %             |
| <b>Capital Projects Fund</b>          |                      |                      |                        |                      |
| Restricted: Unspent bond proceeds     |                      | 767,234              | (767,234)              | (100.00)%            |
| Assigned: Unappropriated fund balance | 6,313,625            | 3,827,155            | 2,486,470              | 64.97 %              |
|                                       | <u>6,313,625</u>     | <u>4,594,389</u>     | <u>1,719,236</u>       | 37.42 %              |
| <b>Extraclassroom Activity Funds</b>  |                      |                      |                        |                      |
| Assigned: Unappropriated fund balance | <u>408,444</u>       | <u>372,675</u>       | <u>35,769</u>          | 9.60 %               |
| <b>Scholarships Fund</b>              |                      |                      |                        |                      |
| Restricted: Scholarships              | <u>388,338</u>       | <u>359,846</u>       | <u>28,492</u>          | 7.92 %               |
| Total Fund Balance                    | <u>\$ 89,226,388</u> | <u>\$ 83,592,512</u> | <u>\$ 5,633,876</u>    | 6.74 %               |

**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 \$2,818,909, compared to an increase of \$7,917,441 in 2023. 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 and other financing sources increasing over the prior year:

|                            | 2024                  | 2023                  | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------------|-----------------------|-----------------------|------------------------|----------------------|
| Real Property Taxes & STAR | \$ 224,542,324        | \$ 221,315,168        | \$ 3,227,156           | 1.46 %               |
| Other Local Sources        | 16,722,496            | 14,263,096            | 2,459,400              | 17.24 %              |
| State Sources              | 41,629,178            | 35,867,181            | 5,761,997              | 16.06 %              |
| Medicaid Reimbursement     | 211,725               | 216,635               | (4,910)                | (2.27)%              |
| Federal Sources            | 774,678               | 100,281               | 674,397                | 672.51 %             |
| Other Financing Sources    | 222,500               | 222,500               | -                      | 0.00 %               |
|                            | <u>\$ 284,102,901</u> | <u>\$ 271,984,861</u> | <u>\$ 12,118,040</u>   | 4.46 %               |

- Other local sources increased largely due to higher interest earnings on the District's cash balances.
- Property taxes and STAR increased due to the growth in the tax levy in accordance with the 2023-2024 voter-approved budget.
- The increase in state sources is mainly attributable to more general, lottery, and excess cost aids allocated to the District during the current year.

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

|                      | 2024                  | 2023                  | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------|-----------------------|-----------------------|------------------------|----------------------|
| General Support      | \$ 24,566,675         | \$ 22,515,283         | \$ 2,051,392           | 9.11 %               |
| Instruction          | 157,581,028           | 148,581,352           | 8,999,676              | 6.06 %               |
| Pupil Transportation | 16,413,563            | 15,892,666            | 520,897                | 3.28 %               |
| Community Services   | 97,777                | 73,852                | 23,925                 | 32.40 %              |
| Employee Benefits    | 70,737,000            | 66,143,089            | 4,593,911              | 6.95 %               |
| Debt Service         | 1,102,230             | 1,002,375             | 99,855                 | 9.96 %               |
| Other Financing Uses | 10,785,719            | 9,858,803             | 926,916                | 9.40 %               |
|                      | <u>\$ 281,283,992</u> | <u>\$ 264,067,420</u> | <u>\$ 17,216,572</u>   | 6.52 %               |

- General Support and instruction increased due to routine salary and step raises. Additionally, instruction increased due to the rise in costs for programs for students with disabilities.
- Employee benefits increased due to larger contribution rates for health insurance, as well as higher pension contribution rates for the District's liability to the ERS.

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

- Other financing uses increase is largely comprised of an increase in the budgeted transfer to the capital projects fund offset by a decrease in the amount transferred to the debt service fund.

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

|                         | Balance<br>June 30, 2023 | Use of<br>Reserves    | Interest            | Funding             | Balance<br>June 30, 2024 |
|-------------------------|--------------------------|-----------------------|---------------------|---------------------|--------------------------|
| Workers' compensation   | \$ 4,644,024             | \$ (865,458)          | \$ 235,506          | \$                  | \$ 4,014,072             |
| Unemployment insurance  | 2,951,861                | (45,021)              | 149,694             |                     | 3,056,534                |
| Retirement contribution |                          |                       |                     |                     |                          |
| TRS                     | 2,298,030                | (1,800,000)           | 116,537             | 2,000,000           | 2,614,567                |
| ERS                     | 21,419,931               | (3,500,000)           | 1,086,243           | 1,000,000           | 20,006,174               |
| Property loss           | 1,528,861                |                       | 77,531              |                     | 1,606,392                |
| Liability               | 519,599                  |                       | 26,350              |                     | 545,949                  |
| EBALR                   | 13,854,955               | (1,125,000)           | 702,610             | 356,166             | 13,788,731               |
| Capital                 | 12,303,013               |                       | 623,908             | 2,500,000           | 15,426,921               |
|                         | <u>\$ 59,520,274</u>     | <u>\$ (7,335,479)</u> | <u>\$ 3,018,379</u> | <u>\$ 5,856,166</u> | <u>\$ 61,059,340</u>     |

**B. School Food Service Fund**

The school food service fund - fund balance net increase represents the District's operating profit for the 2023-2024 school year.

**C. Debt Service Fund**

The debt service fund – fund balance net increase reflects interest earnings and the transfer of unspent Library bond proceeds from the capital projects fund, offset by the budgeted use of fund balance towards principal and interest payments on long-term debt.

**D. Capital Projects Fund**

The capital projects fund – fund balance net increase is mainly the result of the budgeted operating transfer in from the general fund and the issuance of debt for leased equipment, offset by expenditures related to ongoing capital improvement projects, and an operating transfer out to the debt service fund of unspent Library bond proceeds from the completed project.

**E. Extraclassroom Activities Fund**

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

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

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**F. Scholarships Fund**

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

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2023-2024 Budget**

The District's general fund adopted budget for the year ended June 30, 2024 was \$289,790,216. This amount was increased by encumbrances carried forward from the prior year in the amount of \$834,419 and budget revisions of \$1,511,325, for a total final budget of \$292,135,960.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$224,541,381 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                                  | \$ 11,591,609               |
| Fund Balance Appropriated for Budget Revision                     | (200,856)                   |
| Revenues and Other Financing Sources Over Budget                  | 5,077,216                   |
| Expenditures, Other Financing Uses, and Encumbrances Under Budget | 10,102,577                  |
| Unused Appropriated Reserves                                      | (464,521)                   |
| Allocation to Reserves (interest and funding)                     | (8,874,545)                 |
| Appropriated to the June 30, 2025 Budget                          | <u>(5,275,000)</u>          |
| Closing, Unassigned Fund Balance                                  | <u><u>\$ 11,956,480</u></u> |

**Opening, Unassigned Fund Balance**

The \$11,591,609 shown in the table is the portion of the District's June 30, 2023 fund balance that was retained as unassigned.

**Fund Balance Appropriated for Budget Revision**

The District increased appropriations by \$200,856, which was funded by unassigned fund balance. The increase was needed to fund emergency district-wide privacy fencing, which decreases the unassigned portion of the general fund fund balance.

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

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Revenues and Other Financing Sources Over Budget

The District's 2023-2024 final budget for revenues and other financing sources was \$279,025,685. Actual revenues and other financing sources recognized for the year were \$284,102,901. The excess of actual revenues and other financing sources over budgeted revenues and other financing sources was \$5,077,216, which contributes directly to the change in general fund unassigned fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures, and Other Financing Uses, and Encumbrances Under Budget

The 2023-2024 final budget for expenditures and other financing uses was \$292,135,960. Actual expenditures and other financing uses as of June 30, 2024 were \$281,283,992 and outstanding encumbrances were \$749,391. Combined, the expenditures and other financing uses plus encumbrances were \$282,033,383. The final budget variance was \$10,102,577, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2023 to June 30, 2024. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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, \$464,521 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. "General Fund" (summary of restricted fund balance activity) of this MD&A details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$5,275,000 of the available June 30, 2024 unassigned fund balance to partially fund the 2024-2025 approved operating budget. As such, the June 30, 2024 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2024, was \$11,956,480. This amount equals 4% of the 2024-2025 budget, which complies with the statutory limit as established by §1318 of the New York State Real Property Tax Law.

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

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

**A. Capital Assets**

At June 30, 2024, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation/amortization expense of \$7,655,620 in excess of capital additions of \$4,456,866 recorded for the year ended June 30, 2024. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2024 and 2023 is as follows:

|                            | 2024                  | 2023                  | Increase<br>(Decrease) |
|----------------------------|-----------------------|-----------------------|------------------------|
| Land                       | \$ 2,629,860          | \$ 2,629,860          | \$ -                   |
| Construction in progress   | 11,135,732            | 9,258,723             | 1,877,009              |
| Buildings and improvements | 81,086,781            | 86,129,769            | (5,042,988)            |
| Site improvements          | 2,098,587             | 2,489,909             | (391,322)              |
| Vehicles                   | 2,750,525             | 2,267,436             | 483,089                |
| Furniture and equipment    | 4,740,903             | 5,221,471             | (480,568)              |
| Leased equipment           | 390,175               | 34,149                | 356,026                |
|                            | <u>\$ 104,832,563</u> | <u>\$ 108,031,317</u> | <u>\$ (3,198,754)</u>  |
| Capital assets, net        |                       |                       |                        |

**B. Debt Administration**

At June 30, 2024, the District had combined total debt of \$14,961,262. The decreases in outstanding debt represent principal payments made throughout the year, while the increase indicates a new issuance. A summary of the outstanding debt at June 30, 2024 and 2023 is as follows:

| Issue<br>Commencement<br>Date    | Interest<br>Rate | 2024                 | 2023                 | Increase<br>(Decrease) |
|----------------------------------|------------------|----------------------|----------------------|------------------------|
| <b>Bonds Payable</b>             |                  |                      |                      |                        |
| 4/11/2013                        | 3.00% - 5.00%    | \$ 1,775,000         | \$ 3,485,000         | \$ (1,710,000)         |
| 4/11/2013                        | 2.00% - 5.00%    | -                    | 1,375,000            | (1,375,000)            |
| 2/6/2019                         | 1.55% - 5.00%    | 11,020,000           | 11,600,000           | (580,000)              |
|                                  |                  | <u>\$ 12,795,000</u> | <u>\$ 16,460,000</u> | <u>\$ (3,665,000)</u>  |
| <b>Installment Purchase Debt</b> |                  |                      |                      |                        |
| 12/7/2010                        | 2.89%            | \$ 1,757,130         | \$ 2,425,441         | \$ (668,311)           |
| <b>Lease Liabilities</b>         |                  |                      |                      |                        |
| 7/1/2020                         | 1.00%            | \$ -                 | \$ 34,462            | \$ (34,462)            |
| 8/1/2023                         | 4.50%            | 409,132              | -                    | 409,132                |
|                                  |                  | <u>\$ 409,132</u>    | <u>\$ 34,462</u>     | <u>\$ 374,670</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, 2024 did not exceed the District's debt limit.

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

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**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, total OPEB liability, and net pension liabilities – proportionate share, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2024 and 2023 is as follows:

|                                               | 2024                  | 2023                  | Increase<br>(Decrease) |
|-----------------------------------------------|-----------------------|-----------------------|------------------------|
| Compensated absences                          | \$ 26,150,215         | \$ 23,448,762         | \$ 2,701,453           |
| Workers' compensation liabilities             | 1,999,961             | 1,785,904             | 214,057                |
| Total OPEB liability                          | 483,313,963           | 478,999,572           | 4,314,391              |
| Net Pension liabilities - proportionate share | 21,593,180            | \$ 31,731,799         | (10,138,619)           |
|                                               | <u>\$ 533,057,319</u> | <u>\$ 535,966,037</u> | <u>\$ (2,908,718)</u>  |

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2024, for the year ending June 30, 2025, is \$298,912,008. This is an increase of \$9,121,792 or 3.15% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$2,248,027 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 \$5,275,000 increased by \$1,000,000 over the prior year. Additionally, the District has elected to appropriated reserves of \$7,800,000 towards next year's budget, which is the same amount as the previous year. A property tax levy increase of \$5,693,765 (2.54%), levy to levy, was needed to meet the revenue shortfall and cover the increase in appropriations.

**B. Future Budgets**

Factors to consider that could influence future budgets:

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

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

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**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 2024-2025 property tax increase of 2.54% 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, 2024

**ASSETS**

|                                                                           |                    |
|---------------------------------------------------------------------------|--------------------|
| Cash                                                                      |                    |
| Unrestricted                                                              | \$ 42,489,017      |
| Restricted                                                                | 62,621,219         |
| Receivables                                                               |                    |
| Accounts receivable                                                       | 379,108            |
| Due from state and federal                                                | 9,360,045          |
| Due from other governments                                                | 2,107,290          |
| Lease receivable                                                          | 5,149,395          |
| Inventories                                                               | 84,768             |
| Capital assets:                                                           |                    |
| Not being depreciated                                                     | 13,765,592         |
| Being depreciated/amortized, net of accumulated depreciation/amortization | <u>91,066,971</u>  |
| Total Assets                                                              | <u>227,023,405</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|                                                |                   |
|------------------------------------------------|-------------------|
| Deferred charges on advance refunding of bonds | 7,553             |
| Pensions                                       | 59,726,870        |
| Other postemployment benefits                  | <u>29,984,727</u> |
| Total Deferred Outflows of Resources           | <u>89,719,150</u> |

**LIABILITIES**

|                                               |                    |
|-----------------------------------------------|--------------------|
| Payables                                      |                    |
| Accounts payable                              | 8,755,639          |
| Accrued liabilities                           | 1,968,018          |
| Due to other governments                      | 30,952             |
| Due to teachers' retirement system            | 11,325,833         |
| Due to employees' retirement system           | 1,644,060          |
| Compensated absences payable                  | 721,709            |
| Other liabilities                             | 1,936,076          |
| Unearned credits - Collections in advance     | 373,805            |
| Long-term liabilities                         |                    |
| Due and payable within one year               |                    |
| Bonds payable, net                            | 2,433,004          |
| Installment purchase debt payable             | 687,764            |
| Lease liabilities                             | 126,536            |
| Compensated absences payable                  | 1,100,000          |
| Workers' compensation liabilities             | 900,000            |
| Total other postemployment benefits liability | 14,880,388         |
| Due and payable after one year                |                    |
| Bonds payable, net                            | 10,886,584         |
| Installment purchase debt payable             | 1,069,366          |
| Lease liabilities                             | 282,596            |
| Compensated absences payable                  | 25,050,215         |
| Workers' compensation liabilities             | 1,099,961          |
| Total other postemployment benefits liability | 468,433,575        |
| Net pension liabilities - proportionate share | <u>21,593,180</u>  |
| Total Liabilities                             | <u>575,299,261</u> |

**DEFERRED INFLOWS OF RESOURCES**

|                                     |                   |
|-------------------------------------|-------------------|
| Lease                               | 5,149,395         |
| Pensions                            | 11,568,320        |
| Other postemployment benefits       | <u>51,802,775</u> |
| Total Deferred Inflows of Resources | <u>68,520,490</u> |

**NET POSITION (DEFICIT)**

|                                    |                         |
|------------------------------------|-------------------------|
| Net investment in capital assets   | <u>89,073,367</u>       |
| Restricted                         |                         |
| Workers' compensation              | 4,014,072               |
| Unemployment insurance             | 3,056,534               |
| Retirement contribution            |                         |
| Teachers' retirement system        | 2,614,567               |
| Employees' retirement system       | 20,006,174              |
| Property loss                      | 1,606,392               |
| Liability                          | 545,949                 |
| Employee benefit accrued liability | 13,788,731              |
| Capital                            | 15,426,921              |
| Debt                               | 1,173,541               |
| Scholarships                       | <u>388,338</u>          |
|                                    | <u>62,621,219</u>       |
| Unrestricted (Deficit)             | <u>(478,771,782)</u>    |
| Total Net Position (Deficit)       | <u>\$ (327,077,196)</u> |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2024

|                                                  |                       | Program Revenues    |                      | Net (Expense)           |
|--------------------------------------------------|-----------------------|---------------------|----------------------|-------------------------|
|                                                  |                       | Charges for         | Operating Grants     | Revenue and             |
|                                                  | Expenses              | Services            | & Contributions      | Changes in              |
|                                                  |                       |                     |                      | Net Position            |
| <b>FUNCTIONS/PROGRAMS</b>                        |                       |                     |                      |                         |
| General support                                  | \$ 33,006,251         | \$                  | \$                   | \$ (33,006,251)         |
| Instruction                                      | 259,502,990           | 2,140,227           | 8,000,419            | (249,362,344)           |
| Pupil transportation                             | 19,156,551            |                     |                      | (19,156,551)            |
| Community services                               | 161,311               |                     |                      | (161,311)               |
| Debt service - interest                          | 1,649,919             |                     |                      | (1,649,919)             |
| Food service program                             | 3,555,063             | 1,643,901           | 2,114,682            | 203,520                 |
|                                                  |                       |                     |                      |                         |
| Total Functions and Programs                     | <u>\$ 317,032,085</u> | <u>\$ 3,784,128</u> | <u>\$ 10,115,101</u> | <u>(303,132,856)</u>    |
|                                                  |                       |                     |                      |                         |
| <b>GENERAL REVENUES</b>                          |                       |                     |                      |                         |
| Real property taxes                              |                       |                     |                      | 218,285,395             |
| Other tax items                                  |                       |                     |                      | 11,106,756              |
| Use of money and property                        |                       |                     |                      | 5,777,840               |
| Sale of property and compensation for loss       |                       |                     |                      | 188,213                 |
| Miscellaneous                                    |                       |                     |                      | 2,414,901               |
| State sources                                    |                       |                     |                      | 41,629,178              |
| Medicaid reimbursement                           |                       |                     |                      | <u>211,725</u>          |
|                                                  |                       |                     |                      |                         |
| Total General Revenues                           |                       |                     |                      | <u>279,614,008</u>      |
|                                                  |                       |                     |                      |                         |
| Change in Net Position                           |                       |                     |                      | (23,518,848)            |
|                                                  |                       |                     |                      |                         |
| Total Net Position (Deficit) - Beginning of Year |                       |                     |                      | <u>(303,558,348)</u>    |
|                                                  |                       |                     |                      |                         |
| Total Net Position (Deficit) - End of Year       |                       |                     |                      | <u>\$ (327,077,196)</u> |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2024

|                                                                        | General               | Special<br>Aid      | School<br>Food<br>Service | Debt<br>Service     | Capital<br>Projects  | Extraclassroom<br>Activities | Scholarships      | Total<br>Governmental<br>Funds |
|------------------------------------------------------------------------|-----------------------|---------------------|---------------------------|---------------------|----------------------|------------------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                                                          |                       |                     |                           |                     |                      |                              |                   |                                |
| Cash                                                                   |                       |                     |                           |                     |                      |                              |                   |                                |
| Unrestricted                                                           | \$ 33,380,719         | \$ 234,309          | \$ 1,804,092              |                     | \$ 6,661,453         | \$ 408,444                   |                   | \$ 42,489,017                  |
| Restricted                                                             | 61,304,690            |                     |                           | 928,191             |                      |                              | 388,338           | 62,621,219                     |
| Receivables                                                            |                       |                     |                           |                     |                      |                              |                   |                                |
| Accounts receivable                                                    | 303,825               |                     | 75,283                    |                     |                      |                              |                   | 379,108                        |
| Due from other funds                                                   | 5,403,437             | 118,540             | 116,982                   | 245,350             | 4,734,300            |                              |                   | 10,618,609                     |
| Due from state and federal                                             | 3,244,156             | 5,492,259           | 123,630                   |                     | 500,000              |                              |                   | 9,360,045                      |
| Due from other governments                                             | 2,107,290             |                     |                           |                     |                      |                              |                   | 2,107,290                      |
| Lease receivable                                                       | 5,149,395             |                     |                           |                     |                      |                              |                   | 5,149,395                      |
| Inventories                                                            |                       |                     | 84,768                    |                     |                      |                              |                   | 84,768                         |
| Total Assets                                                           | <u>\$ 110,893,512</u> | <u>\$ 5,845,108</u> | <u>\$ 2,204,755</u>       | <u>\$ 1,173,541</u> | <u>\$ 11,895,753</u> | <u>\$ 408,444</u>            | <u>\$ 388,338</u> | <u>\$ 132,809,451</u>          |
| <b>LIABILITIES</b>                                                     |                       |                     |                           |                     |                      |                              |                   |                                |
| Payables                                                               |                       |                     |                           |                     |                      |                              |                   |                                |
| Accounts payable                                                       | \$ 8,316,438          | \$ 155,923          | \$ 2,379                  |                     | \$ 280,899           |                              |                   | \$ 8,755,639                   |
| Accrued liabilities                                                    | 1,880,860             | 4,022               | 29,091                    |                     |                      |                              |                   | 1,913,973                      |
| Due to other funds                                                     | 235,522               | 5,581,858           |                           |                     | 4,801,229            |                              |                   | 10,618,609                     |
| Due to other governments                                               | 30,396                |                     | 556                       |                     |                      |                              |                   | 30,952                         |
| Due to teachers' retirement system                                     | 11,325,833            |                     |                           |                     |                      |                              |                   | 11,325,833                     |
| Due to employees' retirement system                                    | 1,644,060             |                     |                           |                     |                      |                              |                   | 1,644,060                      |
| Compensated absences payable                                           | 721,709               |                     |                           |                     |                      |                              |                   | 721,709                        |
| Other liabilities                                                      | 1,936,076             |                     |                           |                     |                      |                              |                   | 1,936,076                      |
| Unearned credits                                                       |                       |                     |                           |                     |                      |                              |                   |                                |
| Collections in advance                                                 |                       | 103,305             | 270,500                   |                     |                      |                              |                   | 373,805                        |
| Total Liabilities                                                      | <u>26,090,894</u>     | <u>5,845,108</u>    | <u>302,526</u>            | <u>-</u>            | <u>5,082,128</u>     | <u>-</u>                     | <u>-</u>          | <u>37,320,656</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                       |                     |                           |                     |                      |                              |                   |                                |
| Unavailable revenues                                                   | 613,012               |                     |                           |                     | 500,000              |                              |                   | 1,113,012                      |
| Lease                                                                  | 5,149,395             |                     |                           |                     |                      |                              |                   | 5,149,395                      |
| Total Deferred Inflows of Resources                                    | <u>5,762,407</u>      | <u>-</u>            | <u>-</u>                  | <u>-</u>            | <u>500,000</u>       | <u>-</u>                     | <u>-</u>          | <u>6,262,407</u>               |
| <b>FUND BALANCES</b>                                                   |                       |                     |                           |                     |                      |                              |                   |                                |
| Nonspendable: Inventory                                                |                       |                     | 84,768                    |                     |                      |                              |                   | 84,768                         |
| Restricted:                                                            |                       |                     |                           |                     |                      |                              |                   |                                |
| Workers' compensation                                                  | 4,014,072             |                     |                           |                     |                      |                              |                   | 4,014,072                      |
| Unemployment insurance                                                 | 3,056,534             |                     |                           |                     |                      |                              |                   | 3,056,534                      |
| Retirement contribution                                                |                       |                     |                           |                     |                      |                              |                   |                                |
| Teachers' retirement system                                            | 2,614,567             |                     |                           |                     |                      |                              |                   | 2,614,567                      |
| Employees' retirement system                                           | 20,006,174            |                     |                           |                     |                      |                              |                   | 20,006,174                     |
| Property loss                                                          | 1,606,392             |                     |                           |                     |                      |                              |                   | 1,606,392                      |
| Liability                                                              | 545,949               |                     |                           |                     |                      |                              |                   | 545,949                        |
| Employee benefit accrued liability                                     | 13,788,731            |                     |                           |                     |                      |                              |                   | 13,788,731                     |
| Capital                                                                | 15,426,921            |                     |                           |                     |                      |                              |                   | 15,426,921                     |
| Debt                                                                   |                       |                     |                           | 1,173,541           |                      |                              |                   | 1,173,541                      |
| Scholarships                                                           |                       |                     |                           |                     |                      |                              | 388,338           | 388,338                        |
| Assigned:                                                              |                       |                     |                           |                     |                      |                              |                   |                                |
| Appropriated fund balance                                              | 5,275,000             |                     |                           |                     |                      |                              |                   | 5,275,000                      |
| Unappropriated fund balance                                            | 749,391               |                     | 1,817,461                 |                     | 6,313,625            | 408,444                      |                   | 9,288,921                      |
| Unassigned: Fund balance                                               | 11,956,480            |                     |                           |                     |                      |                              |                   | 11,956,480                     |
| Total Fund Balances                                                    | <u>79,040,211</u>     | <u>-</u>            | <u>1,902,229</u>          | <u>1,173,541</u>    | <u>6,313,625</u>     | <u>408,444</u>               | <u>388,338</u>    | <u>89,226,388</u>              |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balances | <u>\$ 110,893,512</u> | <u>\$ 5,845,108</u> | <u>\$ 2,204,755</u>       | <u>\$ 1,173,541</u> | <u>\$ 11,895,753</u> | <u>\$ 408,444</u>            | <u>\$ 388,338</u> | <u>\$ 132,809,451</u>          |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2024

|                                  |  |               |
|----------------------------------|--|---------------|
| Total Governmental Fund Balances |  | \$ 89,226,388 |
|----------------------------------|--|---------------|

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

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

|                                                  |                      |             |
|--------------------------------------------------|----------------------|-------------|
| Original cost or present value of capital assets | \$ 293,110,598       |             |
| Less: Accumulated depreciation/amortization      | <u>(188,278,035)</u> |             |
|                                                  |                      | 104,832,563 |

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>(1,970,893)</u> |       |
|                                       |                    | 7,553 |

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                       | 59,726,870          |            |
| Net pension liability - teachers' retirement system  | (6,590,062)         |            |
| Net pension liability - employees' retirement system | (15,003,118)        |            |
| Deferred inflows of resources                        | <u>(11,568,320)</u> |            |
|                                                      |                     | 26,565,370 |

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                | 29,984,727          |               |
| Total other postemployment benefits liability | (483,313,963)       |               |
| Deferred inflows of resources                 | <u>(51,802,775)</u> |               |
|                                               |                     | (505,132,011) |

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.

1,113,012

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          | (54,045)           |                     |
| Bonds payable, net                | (13,319,588)       |                     |
| Installment purchase debt payable | (1,757,130)        |                     |
| Lease liabilities                 | (409,132)          |                     |
| Compensated absences payable      | (26,150,215)       |                     |
| Workers' compensation liabilities | <u>(1,999,961)</u> |                     |
|                                   |                    | <u>(43,690,071)</u> |

|                              |  |                                |
|------------------------------|--|--------------------------------|
| Total Net Position (Deficit) |  | <u><u>\$ (327,077,196)</u></u> |
|------------------------------|--|--------------------------------|

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended June 30, 2024

|                                                      | General              | Special<br>Aid   | School<br>Food<br>Service | Debt<br>Service     | Capital<br>Projects | Extraclassroom<br>Activities | Scholarships      | Total<br>Governmental<br>Funds |
|------------------------------------------------------|----------------------|------------------|---------------------------|---------------------|---------------------|------------------------------|-------------------|--------------------------------|
| <b>REVENUES</b>                                      |                      |                  |                           |                     |                     |                              |                   |                                |
| Real property taxes                                  | \$ 218,285,395       | \$               | \$                        | \$                  | \$                  | \$                           | \$                | \$ 218,285,395                 |
| Other tax items                                      | 13,436,989           |                  |                           |                     |                     |                              |                   | 13,436,989                     |
| Charges for services                                 | 1,444,511            |                  |                           |                     |                     |                              |                   | 1,444,511                      |
| Use of money and property                            | 5,494,811            |                  | 91,952                    | 191,077             |                     |                              | 19,030            | 5,796,870                      |
| Sale of property and<br>compensation for loss        | 188,213              |                  |                           |                     |                     |                              |                   | 188,213                        |
| Miscellaneous                                        | 2,414,901            | 1,070            | 4,104                     |                     |                     | 607,666                      | 75,567            | 3,103,308                      |
| State sources                                        | 41,629,178           | 3,611,812        | 551,934                   |                     |                     |                              |                   | 45,792,924                     |
| Medicaid reimbursement                               | 211,725              |                  |                           |                     |                     |                              |                   | 211,725                        |
| Federal sources                                      | 774,678              | 3,518,262        | 1,562,748                 |                     |                     |                              |                   | 5,855,688                      |
| Sales                                                |                      |                  | 1,639,797                 |                     |                     |                              |                   | 1,639,797                      |
| <b>Total Revenues</b>                                | <b>283,880,401</b>   | <b>7,131,144</b> | <b>3,850,535</b>          | <b>191,077</b>      | <b>-</b>            | <b>607,666</b>               | <b>94,597</b>     | <b>295,755,420</b>             |
| <b>EXPENDITURES</b>                                  |                      |                  |                           |                     |                     |                              |                   |                                |
| General support                                      | 24,566,675           |                  |                           |                     |                     |                              |                   | 24,566,675                     |
| Instruction                                          | 157,581,028          | 7,614,158        |                           |                     |                     | 571,897                      | 66,105            | 165,833,188                    |
| Pupil transportation                                 | 16,413,563           | 452,681          |                           |                     |                     |                              |                   | 16,866,244                     |
| Community services                                   | 97,777               |                  |                           |                     |                     |                              |                   | 97,777                         |
| Employee benefits                                    | 70,737,000           |                  | 397,241                   |                     |                     |                              |                   | 71,134,241                     |
| Debt service                                         |                      |                  |                           |                     |                     |                              |                   |                                |
| Principal                                            |                      |                  |                           | 4,478,875           |                     |                              |                   | 4,478,875                      |
| Interest                                             | 1,102,230            |                  |                           | 671,149             |                     |                              |                   | 1,773,379                      |
| Food service program                                 |                      |                  | 3,157,635                 |                     |                     |                              |                   | 3,157,635                      |
| Capital outlay                                       |                      |                  |                           |                     | 2,733,764           |                              |                   | 2,733,764                      |
| <b>Total Expenditures</b>                            | <b>270,498,273</b>   | <b>8,066,839</b> | <b>3,554,876</b>          | <b>5,150,024</b>    | <b>2,733,764</b>    | <b>571,897</b>               | <b>66,105</b>     | <b>290,641,778</b>             |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 13,382,128           | (935,695)        | 295,659                   | (4,958,947)         | (2,733,764)         | 35,769                       | 28,492            | 5,113,642                      |
| <b>OTHER FINANCING SOURCES AND (USES)</b>            |                      |                  |                           |                     |                     |                              |                   |                                |
| Proceeds of debt                                     |                      |                  |                           |                     | 520,234             |                              |                   | 520,234                        |
| Operating transfers in                               | 222,500              | 935,695          |                           | 5,917,258           | 4,700,000           |                              |                   | 11,775,453                     |
| Operating transfers (out)                            | (10,785,719)         |                  |                           | (222,500)           | (767,234)           |                              |                   | (11,775,453)                   |
| <b>Total Other Financing<br/>Sources and (Uses)</b>  | <b>(10,563,219)</b>  | <b>935,695</b>   | <b>-</b>                  | <b>5,694,758</b>    | <b>4,453,000</b>    | <b>-</b>                     | <b>-</b>          | <b>520,234</b>                 |
| <b>Net Change in Fund Balances</b>                   | <b>2,818,909</b>     | <b>-</b>         | <b>295,659</b>            | <b>735,811</b>      | <b>1,719,236</b>    | <b>35,769</b>                | <b>28,492</b>     | <b>5,633,876</b>               |
| <b>Fund Balances -<br/>Beginning of Year</b>         | <b>76,221,302</b>    | <b>-</b>         | <b>1,606,570</b>          | <b>437,730</b>      | <b>4,594,389</b>    | <b>372,675</b>               | <b>359,846</b>    | <b>83,592,512</b>              |
| <b>Fund Balances - End of Year</b>                   | <b>\$ 79,040,211</b> | <b>\$ -</b>      | <b>\$ 1,902,229</b>       | <b>\$ 1,173,541</b> | <b>\$ 6,313,625</b> | <b>\$ 408,444</b>            | <b>\$ 388,338</b> | <b>\$ 89,226,388</b>           |

**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, 2024

Net Change in Fund Balances \$ 5,633,876

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.

\$ (2,242,183)

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  
Increase in workers' compensation liabilities

(2,701,453)  
(214,057)

(5,157,693)

Capital Related Differences

Capital outlays to purchase, build, or the right-to-use 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 depreciation/amortization expense exceeded capital outlays and other additions in the period.

Capital outlays and other additions  
Depreciation/amortization expense

4,456,866  
(7,655,620)

(3,198,754)

Long-Term Debt Transaction Differences

Proceeds from the issuance of debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(520,234)

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.

73,368

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  
Installment purchase debt  
Lease liabilities

3,665,000  
668,311  
145,564

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2023 to June 30, 2024.

50,092

4,082,101

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  
Employees' retirement system  
Other postemployment benefits

(8,393,250)  
(2,300,744)  
(14,184,384)

(24,878,378)

Change in Net Position of Governmental Activities

\$ (23,518,848)

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
June 30, 2024

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

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

|                                                               | <u>Custodial</u> |
|---------------------------------------------------------------|------------------|
| <b>ADDITIONS</b>                                              |                  |
| Real property taxes and PILOT collected for the Library       | \$ 9,318,874     |
| <b>DEDUCTIONS</b>                                             |                  |
| Disbursements of real property taxes and PILOT to the Library | <u>9,318,874</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**

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**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)

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**C. Basis of Presentation**

District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities 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 the fiduciary fund. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

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

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

***Special Aid Fund*** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either 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 of, or the right-to-use capital facilities and other capital and intangible assets.

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

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

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

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

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

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

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

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

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures

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

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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 assets 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 1<sup>st</sup>. 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 revenue; however, the amounts are recorded within the custodial fund.

**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)

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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**

Cash consists of cash on hand, bank deposits, and investments with an original maturity date of 90 days or less from date of acquisition.

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

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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**

The district-wide financial statements report both capital and intangible assets, such as right-to-use leased and subscription-based information technology assets. Capital assets are reported at actual cost, when the information is available, or at estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation. Intangible assets are reported based on the estimated lease and subscription liabilities calculated in accordance with GASB standards.

All capital and intangible assets, except land and construction in progress, are depreciated/amortized on a straight-line basis over their estimated useful lives as follows:

|                                   | <u>Capitalization<br/>Threshold</u> | <u>Estimated<br/>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**  
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**Q. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as 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 30<sup>th</sup>.

**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**  
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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, make improvements, or obtain the right-to-use intangible assets. This enables the cost of these capital and intangible assets to be borne by the present and future taxpayers receiving the benefit of the capital and intangible 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. Lease Liabilities**

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**V. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has 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 of certain state aid allocations and amounts due from other governments for tuition charges. 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.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**W. Equity classifications**

District-wide statements

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

*Net investment in capital assets* – Consists of net capital and intangible assets (cost less accumulated depreciation/amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, improvements of, and the right-to-use 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.

*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.

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

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*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.

*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 debt, 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.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Restricted for Scholarships*

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

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

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from 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.

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

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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GASB Statement No. 101 was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and amending previously required disclosures.

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

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

**4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets**

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

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

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

Unanticipated costs funded by:

|                                             |                     |
|---------------------------------------------|---------------------|
| Unassigned fund balance                     | \$ 200,856          |
| Insurance recoveries                        | 90,435              |
| Other miscellaneous revenues                | 1,187,391           |
| Other compensation for loss                 | 2,230               |
| Instructional materials funded by donations | 15,280              |
| Instructional costs funded by student fees  | 15,133              |
|                                             | <hr/>               |
|                                             | <u>\$ 1,511,325</u> |

Budgets are adopted annually on a basis consistent with GAAP.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

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, 2024, the District was billed \$13,003,055 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,835,296. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

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

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**7. DUE FROM STATE AND FEDERAL**

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

|                                                         |                     |
|---------------------------------------------------------|---------------------|
| General Fund                                            |                     |
| New York State - excess cost aid                        | \$ 1,373,621        |
| BOCES aid                                               | 1,835,296           |
| Medicaid                                                | <u>35,239</u>       |
|                                                         | 3,244,156           |
| Special Aid Fund                                        |                     |
| State and federal grants                                | 5,492,259           |
| School Lunch Fund                                       |                     |
| Federal and state food service<br>program reimbursement | 123,630             |
| Capital Projects Fund                                   |                     |
| State and municipal grant                               | <u>500,000</u>      |
|                                                         | <u>\$ 9,360,045</u> |

District management expects these amounts to be fully collectible.

**8. DUE FROM OTHER GOVERNMENTS**

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

|                             |                     |
|-----------------------------|---------------------|
| General Fund                |                     |
| BOCES - Arts in Education   | \$ 98,442           |
| Tuition and health services | <u>2,008,848</u>    |
|                             | <u>\$ 2,107,290</u> |

District management expects these amounts to be fully collectible.

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

**9. CAPITAL ASSETS**

**A. Changes**

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

|                                                          | Balance<br>June 30, 2023 | Additions             | Reductions          | Balance<br>June 30, 2024 |
|----------------------------------------------------------|--------------------------|-----------------------|---------------------|--------------------------|
| Governmental activities                                  |                          |                       |                     |                          |
| Capital assets not being depreciated:                    |                          |                       |                     |                          |
| Land                                                     | \$ 2,629,860             | \$                    | \$                  | \$ 2,629,860             |
| Construction in progress                                 | 9,258,723                | 2,104,877             | (227,868)           | 11,135,732               |
| Total capital assets<br>not being depreciated            | 11,888,583               | 2,104,877             | (227,868)           | 13,765,592               |
| Capital assets being depreciated/amortized:              |                          |                       |                     |                          |
| Buildings and improvements                               | 244,163,327              | 350,846               |                     | 244,514,173              |
| Site improvements                                        | 8,229,127                |                       |                     | 8,229,127                |
| Vehicles                                                 | 7,154,615                | 979,454               | (473,268)           | 7,660,801                |
| Furniture and equipment                                  | 17,711,086               | 729,323               | (122,184)           | 18,318,225               |
| Leased equipment                                         | 102,446                  | 520,234               |                     | 622,680                  |
| Total capital assets<br>being depreciated/amortized      | 277,360,601              | 2,579,857             | (595,452)           | 279,345,006              |
| Less accumulated depreciation/amortization for:          |                          |                       |                     |                          |
| Buildings and improvements                               | 158,033,558              | 5,393,834             |                     | 163,427,392              |
| Site improvements                                        | 5,739,218                | 391,322               |                     | 6,130,540                |
| Vehicles                                                 | 4,887,179                | 496,365               | (473,268)           | 4,910,276                |
| Furniture and equipment                                  | 12,489,615               | 1,209,891             | (122,184)           | 13,577,322               |
| Leased equipment                                         | 68,297                   | 164,208               |                     | 232,505                  |
| Total accumulated<br>depreciation/amortization           | 181,217,867              | 7,655,620             | (595,452)           | 188,278,035              |
| Total capital assets<br>being depreciated/amortized, net | 96,142,734               | (5,075,763)           | -                   | 91,066,971               |
| Capital assets, net                                      | <u>\$ 108,031,317</u>    | <u>\$ (2,970,886)</u> | <u>\$ (227,868)</u> | <u>\$ 104,832,563</u>    |

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

|                                         |                     |
|-----------------------------------------|---------------------|
| General support                         | \$ 796,911          |
| Instruction                             | 6,341,968           |
| Pupil transportation                    | 474,413             |
| Food service                            | 42,328              |
| Total depreciation/amortization expense | <u>\$ 7,655,620</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 4.50%. 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.

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

**10. INTERFUND TRANSACTIONS**

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

|                          | Interfund            |                      |                      |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                          | Receivable           | Payable              | Transfers In         | Transfers Out        |
| General Fund             | \$ 5,403,437         | \$ 235,522           | \$ 222,500           | \$ 10,785,719        |
| Special Aid Fund         | 118,540              | 5,581,858            | 935,695              |                      |
| School Food Service Fund | 116,982              |                      |                      |                      |
| Debt Service Fund        | 245,350              |                      | 5,917,258            | 222,500              |
| Capital Projects Fund    | 4,734,300            | 4,801,229            | 4,700,000            | 767,234              |
| Total Governmental Funds | <u>\$ 10,618,609</u> | <u>\$ 10,618,609</u> | <u>\$ 11,775,453</u> | <u>\$ 11,775,453</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 2023-2024 budgeted transfer of \$4,700,000 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 2023-2024 operating budget. The transfer from the capital projects fund to the debt service fund consists of unspent Library debt proceeds on the completed project that will be used to offset future debt payments.

**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, 2023, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using various implicit interest rates, were \$314,485. During the current fiscal year, the District extended various lease agreements. At June 30, 2024, the District recognized lease revenue and lease interest in the amount of \$1,222,318 and \$176,338, respectively.

**12. SHORT-TERM DEBT**

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

|     | Maturity | Stated<br>Interest<br>Rate | Balance<br>June 30, 2023 | Issued               | Redeemed               | Balance<br>June 30, 2024 |
|-----|----------|----------------------------|--------------------------|----------------------|------------------------|--------------------------|
| TAN | 6/25/24  | 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 \$1,243,125. The District received a premium of \$140,895 for a net interest cost of \$1,102,230.

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

**13. LONG-TERM LIABILITIES**

**A. Changes**

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

|                                     | Balance<br>June 30, 2023 | Additions           | Reductions            | Balance<br>June 30, 2024 | Amounts<br>Due Within<br>One Year |
|-------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|-----------------------------------|
| <u>Long-term debt:</u>              |                          |                     |                       |                          |                                   |
| Bonds payable                       | \$ 16,460,000            | \$                  | \$ (3,665,000)        | \$ 12,795,000            | \$ 2,385,000                      |
| Premium on bonds                    | 626,190                  |                     | (101,602)             | 524,588                  | 48,004                            |
|                                     | 17,086,190               | -                   | (3,766,602)           | 13,319,588               | 2,433,004                         |
| Installment purchase debt           | 2,425,441                |                     | (668,311)             | 1,757,130                | 687,764                           |
| Lease liabilities                   | 34,462                   | 520,234             | (145,564)             | 409,132                  | 126,536                           |
|                                     | 19,546,093               | 520,234             | (4,580,477)           | 15,485,850               | 3,247,304                         |
| <u>Other long-term liabilities:</u> |                          |                     |                       |                          |                                   |
| Compensated absences                | 23,448,762               | 2,701,453           |                       | 26,150,215               | 1,100,000                         |
| Workers' compensation               | 1,785,904                | 1,123,553           | (909,496)             | 1,999,961                | 900,000                           |
| Total OPEB liability                | 478,999,572              | 4,314,391           |                       | 483,313,963              | 14,880,388                        |
|                                     | <u>\$ 523,780,331</u>    | <u>\$ 8,659,631</u> | <u>\$ (5,489,973)</u> | <u>\$ 526,949,989</u>    | <u>\$ 20,127,692</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.

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

| Description             | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding at<br>June 30, 2024 |
|-------------------------|---------------|-------------------|------------------|---------------------------------|
| Serial Bonds            |               |                   |                  |                                 |
| Refunding Bond Series A | 4/11/2013     | 4/15/2025         | 3.00% - 5.00%    | \$ 1,775,000                    |
| Serial Bond - Library   | 2/6/2019      | 6/15/2038         | 1.55% - 5.00%    | 11,020,000                      |
|                         |               |                   |                  | <u>\$ 12,795,000</u>            |

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

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

| Year Ending June 30, | Principal            | Interest            | Total                |
|----------------------|----------------------|---------------------|----------------------|
| 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                 | 725,000              | 266,194             | 991,194              |
| 2030-2034            | 4,010,000            | 952,419             | 4,962,419            |
| 2035-2038            | 3,665,000            | 299,069             | 3,964,069            |
| Total                | <u>\$ 12,795,000</u> | <u>\$ 2,940,358</u> | <u>\$ 15,735,358</u> |

**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<br>of Premium | Amortization<br>of Deferred<br>Charges | Interest Expense<br>Increase/<br>(Decrease) |
|----------------------|----------------------------|----------------------------------------|---------------------------------------------|
| 2025                 | \$ (48,004)                | \$ 7,553                               | \$ (40,451)                                 |
| 2026                 | (29,300)                   |                                        | (29,300)                                    |
| 2027                 | (30,674)                   |                                        | (30,674)                                    |
| 2028                 | (32,047)                   |                                        | (32,047)                                    |
| 2029                 | (33,192)                   |                                        | (33,192)                                    |
| 2030-2034            | (183,583)                  |                                        | (183,583)                                   |
| 2035-2038            | (167,788)                  |                                        | (167,788)                                   |
| Total                | <u>\$ (524,588)</u>        | <u>\$ 7,553</u>                        | <u>\$ (517,035)</u>                         |

**D. Installment Purchase Debt**

Installment purchase debt is comprised of the following:

| Description               | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding at<br>June 30, 2024 |
|---------------------------|---------------|-------------------|------------------|---------------------------------|
| Installment Purchase Debt | 12/7/2010     | 7/15/2026         | 2.89%            | <u>\$ 1,757,130</u>             |

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

| Year Ending June 30, | Principal           | Interest         | Total               |
|----------------------|---------------------|------------------|---------------------|
| 2025                 | \$ 687,764          | \$ 45,848        | \$ 733,612          |
| 2026                 | 707,784             | 25,828           | 733,612             |
| 2027                 | 361,582             | 5,224            | 366,806             |
| Total                | <u>\$ 1,757,130</u> | <u>\$ 76,900</u> | <u>\$ 1,834,030</u> |

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

**E. Lease Liabilities**

Lease liabilities are comprised of the following:

| Description     | Commencement Date | Final Maturity | Interest Rate | Outstanding at June 30, 2024 |
|-----------------|-------------------|----------------|---------------|------------------------------|
| BOCES - Copiers | 8/1/2023          | 7/31/2027      | 4.50%         | <u>\$ 409,132</u>            |

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

| Year Ending June 30, | Principal         | Interest         | Total             |
|----------------------|-------------------|------------------|-------------------|
| 2025                 | \$ 126,536        | \$ 15,822        | \$ 142,358        |
| 2026                 | 132,349           | 10,009           | 142,358           |
| 2027                 | 138,429           | 3,929            | 142,358           |
| 2028                 | <u>11,818</u>     | <u>44</u>        | <u>11,862</u>     |
|                      | <u>\$ 409,132</u> | <u>\$ 29,804</u> | <u>\$ 438,936</u> |

There were no variable payments or other payments made for the lease included above.

**F. Interest Expense**

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

|                                           |                   |
|-------------------------------------------|-------------------|
| Interest paid                             | \$ 671,149        |
| Less interest accrued in the prior year   | (104,137)         |
| Plus interest accrued in the current year | 54,045            |
| Less amortization of deferred amounts     | <u>(73,368)</u>   |
| Total                                     | <u>\$ 547,689</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, 2024, the Library has incurred \$13,732,766 of expenditures that have been recorded in the capital projects fund and the project is complete and closed. Unspent bond proceeds totaling \$767,234 were transferred to the debt service fund and will be used to reduce future debt service payments.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**15. REMEDIES UPON DEFAULT OF BONDS AND NOTES PAYMENTS**

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

Section 99-b of the State Finance Law provides for a covenant between New York State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in New York State. In the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the Office of the New York State Comptroller (OSC), a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both. The OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such state aid or assistance due to such school district such amount thereof as may be required to pay the principal of and interest on such bonds and notes of such school district then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such state aid or assistance due such school district such amount or amounts thereof as may be required to cure such default.

**16. PENSION PLANS – NEW YORK STATE**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Employees' Retirement System

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer and employee contributions are deducted from state aid in the subsequent months of September, October and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 10.29% of covered payroll for the TRS' fiscal year ended June 30, 2023. The District's average contribution rate was 10.51% of covered payroll for the ERS' fiscal year ended March 31, 2024.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2024 was \$10,693,183 for TRS at the contribution rate of 9.76% and \$4,465,301 for ERS at an average contribution rate of 12.27%.

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

At June 30, 2024, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2023, for TRS and March 31, 2024 for ERS. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

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

|                                                             | <u>TRS</u>     | <u>ERS</u>      |
|-------------------------------------------------------------|----------------|-----------------|
| Measurement date                                            | June 30, 2023  | March 31, 2024  |
| District's proportionate share of the net pension liability | \$ (6,590,062) | \$ (15,003,118) |
| District's portion of the Plan's net pension liability      | 0.576263%      | 0.1018953%      |
| Change in proportion since the prior measurement date       | (0.023675)     | 0.0076050       |

For the year ended June 30, 2024, the District recognized a pension expense of \$19,115,204 for TRS and \$6,924,541 for ERS. At June 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

|                                                                                                                     | <u>Deferred Outflows of Resources</u> |                      | <u>Deferred Inflows of Resources</u> |                     |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------|--------------------------------------|---------------------|
|                                                                                                                     | <u>TRS</u>                            | <u>ERS</u>           | <u>TRS</u>                           | <u>ERS</u>          |
| Differences between expected and actual experience                                                                  | \$ 15,979,146                         | \$ 4,832,493         | \$ 39,491                            | \$ 409,096          |
| Changes of assumptions                                                                                              | 14,188,207                            | 5,672,342            | 3,092,242                            |                     |
| Net difference between projected and actual earnings on pension plan investments                                    | 3,368,709                             |                      |                                      | 7,328,943           |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 1,566,251                             | 1,782,479            | 580,885                              | 117,663             |
| District contributions subsequent to the measurement date                                                           | 10,693,183                            | 1,644,060            |                                      |                     |
| Total                                                                                                               | <u>\$ 45,795,496</u>                  | <u>\$ 13,931,374</u> | <u>\$ 3,712,618</u>                  | <u>\$ 7,855,702</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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>TRS</u>           | <u>ERS</u>          |
|-----------------------------|----------------------|---------------------|
| 2025                        | \$ 2,976,464         | \$ (2,217,087)      |
| 2026                        | (3,242,519)          | 3,338,098           |
| 2027                        | 26,599,327           | 4,686,860           |
| 2028                        | 2,143,923            | (1,376,259)         |
| 2029                        | 1,791,981            |                     |
| Thereafter                  | 1,120,519            |                     |
|                             | <u>\$ 31,389,695</u> | <u>\$ 4,431,612</u> |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Actuarial Assumptions

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

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

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

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

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

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.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90 % for ERS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.95% for 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>\$ (100,369,978)</u> | <u>\$ (6,590,062)</u>  | <u>\$ 72,282,904</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>\$ (47,171,337)</u>  | <u>\$ (15,003,118)</u> | <u>\$ 11,864,018</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, 2023                 | March 31, 2024         |
| Employers' total pension liability                                             | \$ (138,365,122)              | \$ (240,696,851)       |
| Plan fiduciary net position                                                    | <u>137,221,537</u>            | <u>225,972,801</u>     |
| Employers' net pension liability                                               | <u>\$ (1,143,585)</u>         | <u>\$ (14,724,050)</u> |
| Ratio of plan fiduciary net position to the employers' total pension liability | 99.17%                        | 93.88%                 |

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024, are paid to the system in September, October and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024, represent employer and employee contributions for the fiscal year ended June 30, 2024, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2024 amounted to \$10,693,183 of employer contributions and \$632,650 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2024, represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$1,644,060 of employer contributions. Employee contributions are remitted monthly.

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

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**17. 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, 2024, totaled \$842,435 and \$6,191,894, 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, 2024 totaled \$1,601,345.

**18. 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, 2024, the following employees were covered by the benefit terms:

|                                                                  |                     |
|------------------------------------------------------------------|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 1,520               |
| Inactive employees entitled to but not yet receiving benefits    | -                   |
| Active employees                                                 | <u>1,502</u>        |
|                                                                  | <u><u>3,022</u></u> |

**B. Total OPEB Liability**

The District's total OPEB liability of \$483,313,963 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2023.

*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                            | 3.93%                                                      |
| Healthcare cost trend rates              | 6.40% decreasing to an ultimate rate of 3.80% by 2073      |
| 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 PubT-2010 and PubG-2010 Headcount-Weighted Mortality Tables for teaching and non-teaching positions, respectively, both generationally projected using the MP-2021 Ultimate Scale.

The actuarial assumptions used in the June 30, 2024 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, 2023                           | <u>\$ 478,999,572</u>        |
| Changes for the year                               |                              |
| Service cost                                       | 18,734,374                   |
| Interest on total OPEB liability                   | 17,909,515                   |
| Changes of benefit terms                           | 248,177                      |
| Differences between expected and actual experience | 1,711,428                    |
| Changes in assumptions or other inputs             | (20,036,755)                 |
| Benefit payments                                   | <u>(14,252,348)</u>          |
|                                                    | <u>4,314,391</u>             |
| Balance at June 30, 2024                           | <u><u>\$ 483,313,963</u></u> |

Changes of assumptions and other input reflects a change in the discount rate from 3.65% in 2023 to 3.93% in 2024.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current discount rate:

|                      | 1% Decrease<br>2.93%    | Discount<br>Rate<br>3.93% | 1% Increase<br>4.93%    |
|----------------------|-------------------------|---------------------------|-------------------------|
| <u>OPEB</u>          |                         |                           |                         |
| Total OPEB liability | <u>\$ (560,723,240)</u> | <u>\$ (483,313,963)</u>   | <u>\$ (420,529,875)</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 (2.80%) or 1 percentage point higher (4.80%) than the current healthcare cost trend rate:

|                      | 1% Decrease<br>5.40%<br>decreasing to<br>2.80% | Healthcare Cost<br>Trend Rates<br>6.40%<br>decreasing to<br>3.80% | 1% Increase<br>7.40%<br>decreasing to<br>4.80% |
|----------------------|------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------|
| OPEB                 |                                                |                                                                   |                                                |
| Total OPEB liability | <u>\$ (409,047,900)</u>                        | <u>\$ (483,313,963)</u>                                           | <u>\$ (578,149,659)</u>                        |

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

For the year ended June 30, 2024, the District recognized an OPEB expense of \$28,436,732. At June 30, 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

|                                                    | Deferred                 |                         |
|----------------------------------------------------|--------------------------|-------------------------|
|                                                    | Outflows<br>of Resources | Inflows<br>of Resources |
| Differences between expected and actual experience | \$ 1,532,116             | \$ 11,894,018           |
| Changes of assumptions and other inputs            | <u>28,452,611</u>        | <u>39,908,757</u>       |
| Total                                              | <u>\$ 29,984,727</u>     | <u>\$ 51,802,775</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               |
|----------------------|----------------------|
| 2025                 | \$ 6,956,513         |
| 2026                 | 3,510,013            |
| 2027                 | 4,179,901            |
| 2028                 | 3,882,444            |
| 2029                 | 1,374,588            |
| Thereafter           | <u>1,914,589</u>     |
|                      | <u>\$ 21,818,048</u> |

**19. DEFERRED INFLOWS OF RESOURCES**

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2024, consists of that portion of the amount due from other governments for tuition and related services and amounts due from tenants for leased building space, which are unavailable. Unavailable revenues and leases, in the general fund at June 30, 2024, total \$5,762,407.

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

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2024, 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 revenue, in the capital projects fund at June 30, 2024, total \$500,000.

**20. 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>2023</u>         | <u>2024</u>         |
|-----------------------------------------------|---------------------|---------------------|
| Unpaid claims at beginning of year            | \$ 2,872,717        | \$ 1,785,904        |
| Incurred claims and claim adjustment expenses | 162,839             | 1,123,553           |
| Claim payments                                | <u>(1,249,652)</u>  | <u>(909,496)</u>    |
| Unpaid claims at year end                     | <u>\$ 1,785,904</u> | <u>\$ 1,999,961</u> |

At June 30, 2024, the District had \$4,014,072 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.

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

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

|                                    |                     |
|------------------------------------|---------------------|
| Workers' Compensation              | \$ 1,200,000        |
| Unemployment                       | 75,000              |
| Retirement Contributions           |                     |
| Teachers' retirement system        | 1,800,000           |
| Employees' retirement system       | 3,600,000           |
| Employee Benefit Accrued Liability | <u>1,125,000</u>    |
|                                    | <u>\$ 7,800,000</u> |

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

**22. RESTRICTED FOR CAPITAL RESERVE**

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

| Date Created                | May 2022             | May 2024             |                      |
|-----------------------------|----------------------|----------------------|----------------------|
| Number of Years to Fund     | 20                   | 20                   |                      |
| Maximum Funding             | <u>\$ 40,000,000</u> | <u>\$ 30,000,000</u> |                      |
|                             |                      |                      | <u>Total</u>         |
| <b>General Fund</b>         |                      |                      |                      |
| Funding Provided            | \$ 13,114,112        | \$ 1,500,000         | \$ 14,614,112        |
| Interest Earnings           | 812,809              |                      | 812,809              |
| Use of Reserve              |                      |                      | -                    |
| Balance as of June 30, 2024 | <u>\$ 13,926,921</u> | <u>\$ 1,500,000</u>  | <u>\$ 15,426,921</u> |

**23. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$5,275,000 has been appropriated to reduce taxes for the year ending June 30, 2025.

**24. 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 \$5,312,419; however, the District received PILOT totaling \$3,474,773.

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 totaling \$98,399.

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 totaling \$3,606,887.

**25. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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

Assigned: Unappropriated Fund Balance:

|                       |                     |
|-----------------------|---------------------|
| General Fund          |                     |
| General support       | \$ 465,584          |
| Instruction           | 277,173             |
| Pupil Transportation  | <u>6,634</u>        |
|                       | 749,391             |
| Capital Projects Fund |                     |
| Capital projects      | <u>2,816,536</u>    |
|                       | <u>\$ 3,565,927</u> |

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

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**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 could result in future settlement costs to the District but will not have a material effect on these financial statements.

**26. 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:

**Tax Anticipation Note**

On July 8, 2024, the Board approved the issuance of tax anticipation notes not to exceed \$50,000,000 for the 2024-2025 year. The District expects to issue the tax anticipation notes at the end of October or early November 2024.

**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, 2024

|                                                                 | Original<br>Budget    | Final<br>Budget       | Actual             | Final Budget<br>Variance with<br>Actual |
|-----------------------------------------------------------------|-----------------------|-----------------------|--------------------|-----------------------------------------|
| <b>REVENUES</b>                                                 |                       |                       |                    |                                         |
| Local Sources                                                   |                       |                       |                    |                                         |
| Real property taxes                                             | \$ 216,541,381        | \$ 218,284,452        | \$ 218,285,395     | \$ 943                                  |
| Other tax items                                                 | 14,425,000            | 12,681,929            | 13,436,989         | 755,060                                 |
| Charges for services                                            | 1,317,500             | 1,332,633             | 1,444,511          | 111,878                                 |
| Use of money and property                                       | 1,698,950             | 1,698,950             | 5,494,811          | 3,795,861                               |
| Sale of property and<br>compensation for loss                   | 206,000               | 298,665               | 188,213            | (110,452)                               |
| Miscellaneous                                                   | <u>1,410,000</u>      | <u>1,903,640</u>      | <u>2,414,901</u>   | <u>511,261</u>                          |
| Total Local Sources                                             | 235,598,831           | 236,200,269           | 241,264,820        | 5,064,551                               |
| State Sources                                                   | 41,773,885            | 41,773,885            | 41,629,178         | (144,707)                               |
| Medicaid Reimbursement                                          | 120,000               | 120,000               | 211,725            | 91,725                                  |
| Federal Sources                                                 | <u></u>               | <u>709,031</u>        | <u>774,678</u>     | <u>65,647</u>                           |
| Total Revenues                                                  | 277,492,716           | 278,803,185           | 283,880,401        | 5,077,216                               |
| <b>OTHER FINANCING SOURCES</b>                                  |                       |                       |                    |                                         |
| Operating transfers in                                          | <u>222,500</u>        | <u>222,500</u>        | <u>222,500</u>     | <u>-</u>                                |
| Total Revenues and Other<br>Financing Sources                   | <u>277,715,216</u>    | <u>279,025,685</u>    | <u>284,102,901</u> | <u>\$ 5,077,216</u>                     |
| <b>APPROPRIATED FUND BALANCE</b>                                |                       |                       |                    |                                         |
| Prior Years' Surplus                                            | 4,275,000             | 4,475,856             |                    |                                         |
| Prior Year's Encumbrances                                       | 834,419               | 834,419               |                    |                                         |
| Appropriated Reserves                                           | <u>7,800,000</u>      | <u>7,800,000</u>      |                    |                                         |
| Total Appropriated Fund Balance                                 | <u>12,909,419</u>     | <u>13,110,275</u>     |                    |                                         |
| Total Revenues, Other Sources, and<br>Appropriated Fund Balance | <u>\$ 290,624,635</u> | <u>\$ 292,135,960</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 Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended June 30, 2024

|                                            | Original<br>Budget    | Final<br>Budget       | Actual               | Year End<br>Encumbrances | Final Budget<br>Variance with<br>Actual<br>& Encumbrances |
|--------------------------------------------|-----------------------|-----------------------|----------------------|--------------------------|-----------------------------------------------------------|
| <b>EXPENDITURES</b>                        |                       |                       |                      |                          |                                                           |
| General Support                            |                       |                       |                      |                          |                                                           |
| Board of education                         | \$ 144,830            | \$ 148,050            | \$ 126,965           | \$                       | \$ 21,085                                                 |
| Central administration                     | 519,178               | 522,378               | 506,830              | 35                       | 15,513                                                    |
| Finance                                    | 1,818,981             | 1,763,981             | 1,669,884            |                          | 94,097                                                    |
| Staff                                      | 1,692,948             | 1,651,448             | 1,446,715            |                          | 204,733                                                   |
| Central services                           | 19,848,202            | 20,525,305            | 18,505,663           | 465,549                  | 1,554,093                                                 |
| Special items                              | 2,353,560             | 2,350,060             | 2,310,618            |                          | 39,442                                                    |
| Total General Support                      | 26,377,699            | 26,961,222            | 24,566,675           | 465,584                  | 1,928,963                                                 |
| Instruction                                |                       |                       |                      |                          |                                                           |
| Administration & improvement               | 9,437,641             | 9,428,655             | 9,125,718            | 4,467                    | 298,470                                                   |
| Teaching - regular school                  | 85,597,903            | 86,134,813            | 83,900,940           | 202,653                  | 2,031,220                                                 |
| Programs for students<br>with disabilities | 42,956,300            | 44,664,459            | 44,470,069           | 236                      | 194,154                                                   |
| Occupational education                     | 650,000               | 620,000               | 619,620              |                          | 380                                                       |
| Teaching - special schools                 | 334,113               | 402,197               | 389,314              |                          | 12,883                                                    |
| Instructional media                        | 5,357,065             | 6,226,050             | 6,120,643            | 16,413                   | 88,994                                                    |
| Pupil services                             | 13,483,023            | 13,487,023            | 12,954,724           | 53,404                   | 478,895                                                   |
| Total Instruction                          | 157,816,045           | 160,963,197           | 157,581,028          | 277,173                  | 3,104,996                                                 |
| Pupil Transportation                       | 18,241,990            | 18,277,018            | 16,413,563           | 6,634                    | 1,856,821                                                 |
| Community Services                         | 101,400               | 101,400               | 97,777               |                          | 3,623                                                     |
| Employee Benefits                          | 76,672,620            | 73,935,517            | 70,737,000           |                          | 3,198,517                                                 |
| Debt Service                               |                       |                       |                      |                          |                                                           |
| Interest                                   | 750,000               | 1,102,230             | 1,102,230            |                          | -                                                         |
| Total Expenditures                         | 279,959,754           | 281,340,584           | 270,498,273          | 749,391                  | 10,092,920                                                |
| <b>OTHER FINANCING USES</b>                |                       |                       |                      |                          |                                                           |
| Operating Transfers Out                    | 10,664,881            | 10,795,376            | 10,785,719           |                          | 9,657                                                     |
| Total Expenditures and Other Uses          | <u>\$ 290,624,635</u> | <u>\$ 292,135,960</u> | <u>281,283,992</u>   | <u>\$ 749,391</u>        | <u>\$ 10,102,577</u>                                      |
| Net Change in Fund Balance                 |                       |                       | 2,818,909            |                          |                                                           |
| Fund Balance - Beginning of Year           |                       |                       | 76,221,302           |                          |                                                           |
| Fund Balance - End of Year                 |                       |                       | <u>\$ 79,040,211</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 Ten Fiscal Years

|                                                                                                               | <i><b>Teachers' Retirement System</b></i> |                 |                |                 |               |               |               |                |               |               |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------|----------------|-----------------|---------------|---------------|---------------|----------------|---------------|---------------|
|                                                                                                               | <u>2024</u>                               | <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>   |
| District's proportion of the net pension asset/(liability)                                                    | 0.576263%                                 | 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)                                           | \$ (6,590,062)                            | \$ (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                                                                                    | \$ 106,934,648                            | \$ 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 |
| District's proportionate share of the net pension asset/(liability)<br>as a percentage of its covered payroll | 6.16 %                                    | 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<br>total pension liability                                 | 99.17%                                    | 98.57%          | 113.25%        | 97.76%          | 102.17%       | 101.53%       | 100.66%       | 99.01%         | 110.46%       | 111.48%       |
| Discount rate                                                                                                 | 6.95%                                     | 6.95%           | 6.95%          | 7.10%           | 7.10%         | 7.25%         | 7.25%         | 7.50%          | 8.00%         | 8.00%         |

|                                                                                                               | <i><b>Employees' Retirement System</b></i> |                 |               |               |                 |                |                |                |                 |                |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------|---------------|---------------|-----------------|----------------|----------------|----------------|-----------------|----------------|
|                                                                                                               | <u>2024</u>                                | <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>    |
| District's proportion of the net pension asset/(liability)                                                    | 0.1018953%                                 | 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)                                           | \$ (15,003,118)                            | \$ (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                                                                                    | \$ 34,903,856                              | \$ 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)<br>as a percentage of its covered payroll | 42.98 %                                    | 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<br>total pension liability                                 | 93.88%                                     | 90.78%          | 103.65%       | 99.95%        | 86.39%          | 96.27%         | 98.24%         | 94.70%         | 90.68%          | 97.95%         |
| Discount rate                                                                                                 | 5.90%                                      | 5.90%           | 5.90%         | 5.90%         | 6.80%           | 7.00%          | 7.00%          | 7.00%          | 7.00%           | 7.50%          |

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

***Teachers' Retirement System***

|                                                                      | <u>2024</u>       | <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>       |
|----------------------------------------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| Contractually required contribution                                  | \$ 10,693,183     | \$ 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     |
| Contributions in relation to the contractually required contribution | <u>10,693,183</u> | <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> |
| 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                                           | \$ 110,251,607    | \$ 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     |
| Contributions as a percentage of covered payroll                     | 10%               | 10%               | 10%               | 10%              | 9%               | 11%               | 10%              | 12%               | 13%               | 17%               |

***Employees' Retirement System***

|                                                                      | <u>2024</u>      | <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>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 4,465,301     | \$ 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     |
| Contributions in relation to the contractually required contribution | <u>4,465,301</u> | <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> |
| 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                                           | \$ 36,396,751    | \$ 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    |
| Contributions as a percentage of covered payroll                     | 12%              | 11%              | 15%              | 15%              | 14%              | 13%              | 15%              | 14%              | 17%              | 17%              |

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

|                                                                  | 2024                      | 2023                            | 2022                      | 2021                      | 2020                      | 2019                      | 2018                      |
|------------------------------------------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total OPEB liability                                             |                           |                                 |                           |                           |                           |                           |                           |
| Service cost                                                     | \$ 18,734,374             | \$ 17,259,801                   | \$ 20,206,405             | \$ 20,816,944             | \$ 17,738,016             | \$ 19,004,281             | \$ 18,450,758             |
| Interest on total OPEB liability                                 | 17,909,515                | 15,629,750                      | 10,166,999                | 9,910,453                 | 14,707,239                | 13,016,243                | 12,414,015                |
| Changes in benefit terms                                         | 248,177                   | -                               | -                         | -                         | 141,340                   | -                         | -                         |
| Differences between expected and actual experience               | 1,711,428                 | -                               | (9,303,576)               | -                         | (22,434,229)              | -                         | 520,191                   |
| Changes of assumptions or other inputs                           | (20,036,755)              | 28,571,177                      | (34,261,706)              | 3,815,630                 | 25,303,378                | (33,473,683)              | -                         |
| Benefit payments                                                 | <u>(14,252,348)</u>       | <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                               | 4,314,391                 | 48,137,139                      | (25,990,887)              | 23,981,633                | 25,436,192                | (13,329,046)              | 19,532,230                |
| Total OPEB liability, beginning                                  | <u>478,999,572</u>        | <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>\$ 483,313,963</u>     | <u>\$ 478,999,572</u>           | <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>     |
| Covered employee payroll                                         | \$ 132,832,091            | \$ 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 | 363.85%                   | 375.04%                         | 337.35%                   | 372.42%                   | 352.87%                   | 346.59%                   | 357.92%                   |
| Discount rate                                                    | 3.93%                     | 3.65%                           | 3.54%                     | 2.16%                     | 2.21%                     | 3.50%                     | 3.00%                     |
| Healthcare trend rates                                           | 6.40% to 3.80%<br>by 2073 | 5.10% to 4.10%<br>over 54 years | 5.10% to 4.10%<br>by 2076 | 6.60% to 4.10%<br>by 2077 | 6.60% to 4.10%<br>by 2076 | 7.50% to 4.50%<br>by 2026 | 7.50% to 4.50%<br>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, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

|                           |                              |
|---------------------------|------------------------------|
| Adopted Budget            | \$ 289,790,216               |
| Additions:                |                              |
| Prior year's encumbrances | <u>834,419</u>               |
| Original Budget           | 290,624,635                  |
| Budget revisions          | <u>1,511,325</u>             |
| Final Budget              | <u><u>\$ 292,135,960</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

|                                                                       |                              |
|-----------------------------------------------------------------------|------------------------------|
| 2024-2025 voter-approved expenditure budget                           | <u><u>\$ 298,912,008</u></u> |
| Maximum allowed (4% of 2024-2025 budget)                              | <u><u>\$ 11,956,480</u></u>  |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: |                              |
| Unrestricted fund balance:                                            |                              |
| Assigned fund balance                                                 | \$ 6,024,391                 |
| Unassigned fund balance                                               | <u>11,956,480</u>            |
|                                                                       | \$ 17,980,871                |
| Less:                                                                 |                              |
| Appropriated fund balance                                             | 5,275,000                    |
| Encumbrances                                                          | <u>749,391</u>               |
| Total adjustments                                                     | <u>6,024,391</u>             |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: | <u><u>\$ 11,956,480</u></u>  |
| Actual Percentage                                                     | 4.00%                        |

## For the Year Ended June 30, 2024

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Smart Schools Bond Act monies not yet received       | (2,717,346)         |
| Transfer to Debt Service Fund for Completed Projects | (767,234)           |
| Grant Aid Revenue Not Realized                       | <u>(500,000)</u>    |
|                                                      | <u>\$ 6,313,625</u> |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2024

|                                                 |                             |
|-------------------------------------------------|-----------------------------|
| Capital assets, net                             | <u>\$ 104,832,563</u>       |
| Add:                                            |                             |
| Deferred charge from advance refunding          | <u>7,553</u>                |
| Deduct:                                         |                             |
| Capital related liability - accounts payable    | 280,899                     |
| Short-term portion of bonds payable             | 2,385,000                   |
| Long-term portion of bonds payable              | 10,410,000                  |
| Premium on bonds payable                        | 524,588                     |
| Short-term portion of installment purchase debt | 687,764                     |
| Long-term portion of installment purchase debt  | 1,069,366                   |
| Short-term portion of lease liabilities         | 126,536                     |
| Long-term portion of lease liabilities          | <u>282,596</u>              |
|                                                 | <u>15,766,749</u>           |
| Net investment in capital assets                | <u><u>\$ 89,073,367</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 Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2024, 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, 2024. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Half Hollow Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 Half Hollow Hills Central School District in a separate letter dated October 16, 2024.

### **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, 2024





**HALF HOLLOW HILLS  
CENTRAL SCHOOL DISTRICT**

EXTRACLASSROOM ACTIVITIES FUND  
FINANCIAL STATEMENT WITH  
INDEPENDENT AUDITOR'S REPORT

June 30, 2024

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITIES FUND**  
June 30, 2024

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## **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 Half Hollow Hills Central School District's (District) extraclassroom activities fund for the year ended June 30, 2024, 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 activities fund of Half Hollow Hills Central School District for the year ended June 30, 2024, 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 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 cash receipts records of the student activities that comprise the extraclassroom activities fund of 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; and 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 activities fund'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 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 opinion. 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 activities fund'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.

*Cullen & Danowski, LLP*

October 16, 2024

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITIES FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the Year Ended June 30, 2024

|                                    | Cash<br>Balance<br><u>June 30, 2023</u> | Receipts<br>and<br><u>Transfers</u> | Disbursements<br>and<br><u>Transfers</u> | Cash<br>Balance<br><u>June 30, 2024</u> |
|------------------------------------|-----------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|
| <b>CLUBS</b>                       |                                         |                                     |                                          |                                         |
| <b>Half Hollow Hills HS East</b>   |                                         |                                     |                                          |                                         |
| Class of 2024                      | \$ 14,739                               | \$ 55,804                           | \$ 60,494                                | \$ 10,049                               |
| Class of 2025                      | 191                                     | 17,975                              | 17,146                                   | 1,020                                   |
| Class of 2026                      | -                                       | 473                                 | 110                                      | 363                                     |
| Class of 2027                      | 473                                     | 500                                 | 511                                      | 462                                     |
| Academic Team                      | 254                                     |                                     | 90                                       | 164                                     |
| African American Society Org.      | 9                                       | 150                                 | 150                                      | 9                                       |
| Amnesty International              | 1,756                                   |                                     | 529                                      | 1,227                                   |
| Animal Friends                     | 194                                     | 745                                 | 600                                      | 339                                     |
| Architecture Club                  | 95                                      | 190                                 | 52                                       | 233                                     |
| Art Honor Society                  | 2,736                                   | 1,663                               | 2,084                                    | 2,315                                   |
| Asian American Club                | 50                                      |                                     |                                          | 50                                      |
| Astronomy Club                     | 46                                      |                                     |                                          | 46                                      |
| Best Buddies                       | 8,087                                   | 560                                 | 1,200                                    | 7,447                                   |
| Business Honor Society             | 3,657                                   | 250                                 |                                          | 3,907                                   |
| Chamber Choir                      | 1,093                                   | 12,444                              | 12,684                                   | 853                                     |
| Cheerleading                       | 372                                     |                                     |                                          | 372                                     |
| Chinese Culture                    | 419                                     |                                     |                                          | 419                                     |
| Constitution Club                  | 2,459                                   | 16,984                              | 15,471                                   | 3,972                                   |
| DECA                               | 1,527                                   | 14,295                              | 14,980                                   | 842                                     |
| Drama                              | 8,560                                   | 9,151                               | 5,669                                    | 12,042                                  |
| English Honor Society              | -                                       | 780                                 | 667                                      | 113                                     |
| Fashion Club                       | 732                                     |                                     |                                          | 732                                     |
| FBLA                               | 1,721                                   | 1,513                               | 1,512                                    | 1,722                                   |
| Film Making Club                   | 1,030                                   | 446                                 | 450                                      | 1,026                                   |
| French Culture Club                | 1,063                                   | 240                                 | 72                                       | 1,231                                   |
| Future Doctors of America          | 1,376                                   |                                     |                                          | 1,376                                   |
| Future Educators                   | 233                                     | 95                                  | 69                                       | 259                                     |
| GSA                                | 87                                      | 975                                 | 325                                      | 737                                     |
| HHH East Music                     | 1,357                                   | 66,919                              | 67,434                                   | 842                                     |
| Horticulture                       | 707                                     | 286                                 | 317                                      | 676                                     |
| Ichthus Club                       | 221                                     |                                     |                                          | 221                                     |
| Indian American Club               | 75                                      | 80                                  | 44                                       | 111                                     |
| Interact                           | 1,804                                   | 20                                  | 297                                      | 1,527                                   |
| Key Club                           | 2,116                                   | 360                                 | 416                                      | 2,060                                   |
| Kickline                           | <u>1,141</u>                            | 594                                 | 133                                      | <u>1,602</u>                            |
| Subtotal Half Hollow Hills HS East | <u>60,380</u>                           | <u>203,492</u>                      | <u>203,506</u>                           | <u>60,366</u>                           |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITIES FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the Year Ended June 30, 2024  
(Continued)

|                                           | Cash<br>Balance<br><u>June 30, 2023</u> | Receipts<br>and<br><u>Transfers</u> | Disbursements<br>and<br><u>Transfers</u> | Cash<br>Balance<br><u>June 30, 2024</u> |
|-------------------------------------------|-----------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|
| <b>Half Hollow Hills HS East (cont'd)</b> |                                         |                                     |                                          |                                         |
| Math Honor Society                        | \$ 190                                  | \$ 728                              | \$ 410                                   | \$ 508                                  |
| Mock Trial                                | -                                       | 45                                  |                                          | 45                                      |
| Model UN                                  | 1,031                                   | 50                                  | 717                                      | 364                                     |
| Musical                                   | 28,051                                  | 16,146                              | 8,808                                    | 35,389                                  |
| Music Honor Society                       | 4,347                                   | 7,433                               | 9,371                                    | 2,409                                   |
| Muslim Student Association                | 157                                     | 100                                 |                                          | 257                                     |
| National Chinese Honor Society            | 1,132                                   | 224                                 |                                          | 1,356                                   |
| National French Honor Society             | 3,763                                   | 640                                 | 889                                      | 3,514                                   |
| National Honor Society                    | 4,312                                   | 2,120                               | 3,938                                    | 2,494                                   |
| National Spanish Honor Society            | 967                                     |                                     |                                          | 967                                     |
| One World Youth                           | 767                                     | 1,632                               | 1,135                                    | 1,264                                   |
| Orchestra                                 | 2,213                                   | 13,379                              | 12,749                                   | 2,843                                   |
| Peer Aids Educators                       | 635                                     |                                     |                                          | 635                                     |
| Peer Ambassadors                          | 166                                     |                                     |                                          | 166                                     |
| Pegasus                                   | 2,826                                   |                                     |                                          | 2,826                                   |
| Photo Club                                | 144                                     | 10                                  |                                          | 154                                     |
| Rising Stars                              | 181                                     |                                     | 47                                       | 134                                     |
| Robotics                                  | 1,360                                   |                                     | 293                                      | 1,067                                   |
| SADD                                      | 1,144                                   | 90                                  | 100                                      | 1,134                                   |
| School Store                              | 8,199                                   | 646                                 | 1,217                                    | 7,628                                   |
| Science Explorers                         | 7                                       |                                     |                                          | 7                                       |
| Science Honor Society                     | 2,982                                   | 779                                 |                                          | 3,761                                   |
| Science Olympiads                         | 231                                     | 50                                  | 220                                      | 61                                      |
| Senior Experience                         | 190                                     |                                     | 154                                      | 36                                      |
| Social Studies Honor Society              | -                                       | 466                                 |                                          | 466                                     |
| Spanish Club                              | 1,791                                   |                                     |                                          | 1,791                                   |
| Speech & Debate                           | 275                                     | 15,105                              | 15,090                                   | 290                                     |
| Stage Crew                                | 3,441                                   | 1,000                               | 1,621                                    | 2,820                                   |
| Strong/Lawn                               | 7                                       | 2,065                               | 2,011                                    | 61                                      |
| Student Government                        | (209)                                   | 603                                 |                                          | 394                                     |
| Sustainability                            | 952                                     |                                     |                                          | 952                                     |
| Thespian                                  | 742                                     | 1,421                               | 164                                      | 1,999                                   |
| Thunderbird                               | 58                                      |                                     |                                          | 58                                      |
| Yearbook                                  | 14,100                                  | 14,544                              | 16,170                                   | 12,474                                  |
| <b>Total Half Hollow Hills HS East</b>    | <u>146,532</u>                          | <u>282,768</u>                      | <u>278,610</u>                           | <u>150,690</u>                          |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITIES FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the Year Ended June 30, 2024  
(Continued)

|                                    | Cash<br>Balance<br><u>June 30, 2023</u> | Receipts<br>and<br><u>Transfers</u> | Disbursements<br>and<br><u>Transfers</u> | Cash<br>Balance<br><u>June 30, 2024</u> |
|------------------------------------|-----------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|
| <b>Half Hollow Hills HS West</b>   |                                         |                                     |                                          |                                         |
| Class of 2022                      | \$ 931                                  | \$ 748                              | \$ 231                                   | \$ 1,448                                |
| Class of 2023                      | 3,235                                   | 520                                 | 2,835                                    | 920                                     |
| Class of 2024                      | 2,842                                   | 31,726                              | 31,640                                   | 2,928                                   |
| Class of 2025                      | 2,719                                   | 5,518                               | 5,621                                    | 2,616                                   |
| AASO                               | 1,503                                   |                                     | 372                                      | 1,131                                   |
| Art Club                           | 76                                      |                                     |                                          | 76                                      |
| Art Honor Society                  | 380                                     | 485                                 | 563                                      | 302                                     |
| Asian Club                         | 688                                     |                                     |                                          | 688                                     |
| Athletes Helping Athletes          | 181                                     |                                     |                                          | 181                                     |
| Business Honor (Brainstormers)     | 111                                     |                                     |                                          | 111                                     |
| Chess Club                         | 350                                     |                                     |                                          | 350                                     |
| Chinese Culture Club               | 481                                     | 971                                 | 998                                      | 454                                     |
| Chorus West                        | 289                                     |                                     |                                          | 289                                     |
| Colts R Us (Friendship Club)       | 211                                     |                                     |                                          | 211                                     |
| Computer Club                      | 159                                     |                                     |                                          | 159                                     |
| Cooking Club                       | 76                                      | 1,040                               | 1,033                                    | 83                                      |
| DECA                               | 1,076                                   | 5,688                               | 6,108                                    | 656                                     |
| Environmental Club                 | 3,886                                   |                                     | 2,176                                    | 1,710                                   |
| FBLA                               | 3,123                                   | 5,420                               | 5,445                                    | 3,098                                   |
| French Club                        | 66                                      |                                     |                                          | 66                                      |
| FTC                                | 79                                      | 2,420                               | 882                                      | 1,617                                   |
| Future Educators                   | 370                                     |                                     |                                          | 370                                     |
| Ichthus Club                       | 18                                      |                                     |                                          | 18                                      |
| Interact                           | 1,596                                   | 818                                 | 1,723                                    | 691                                     |
| Italian Club                       | 299                                     |                                     |                                          | 299                                     |
| Jewish Heritage                    | -                                       | 536                                 | 276                                      | 260                                     |
| Key Club                           | 185                                     | 1,160                               | 1,144                                    | 201                                     |
| Kickline                           | 626                                     | 50                                  | 303                                      | 373                                     |
| Muslim Student Association         | 746                                     | 558                                 | 378                                      | 926                                     |
| National Honor Society             | 3,930                                   | 1,560                               | 1,240                                    | 4,250                                   |
| One World                          | 192                                     | 779                                 | 755                                      | 216                                     |
| Peer Aids                          | 404                                     | 280                                 | 629                                      | 55                                      |
| SADD                               | 369                                     | 951                                 | 700                                      | 620                                     |
| School Newspaper                   | 36                                      |                                     |                                          | 36                                      |
| Science Honor Society              | 1,423                                   | 491                                 | 335                                      | 1,579                                   |
| Science Olympiad                   | 32                                      | 1,020                               | 1,022                                    | 30                                      |
| School Store                       | 9,848                                   | 5,234                               | 1,786                                    | 13,296                                  |
| Senior Experience                  | 345                                     | 6,065                               | 6,228                                    | 182                                     |
| Subtotal Half Hollow Hills HS West | <u>42,881</u>                           | <u>74,038</u>                       | <u>74,423</u>                            | <u>42,496</u>                           |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITIES FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the Year Ended June 30, 2024  
(Continued)

|                                           | Cash<br>Balance<br><u>June 30, 2023</u> | Receipts<br>and<br>Transfers | Disbursements<br>and<br>Transfers | Cash<br>Balance<br><u>June 30, 2024</u> |
|-------------------------------------------|-----------------------------------------|------------------------------|-----------------------------------|-----------------------------------------|
| <b>Half Hollow Hills HS West (cont'd)</b> |                                         |                              |                                   |                                         |
| Spanish Honor Society                     | \$ 2,321                                | \$ 1,556                     | \$ 1,181                          | \$ 2,696                                |
| Step                                      | 515                                     | 94                           | 492                               | 117                                     |
| Student Senate                            | 1,678                                   | 2,450                        | 2,634                             | 1,494                                   |
| Symphonic Band                            | 308                                     |                              | 308                               | -                                       |
| TAP                                       | 663                                     |                              |                                   | 663                                     |
| Theatre West                              | 15,028                                  | 16,856                       | 19,670                            | 12,214                                  |
| Tri M                                     | 3,706                                   | 6,633                        | 8,761                             | 1,578                                   |
| Varsity Club                              | 1                                       |                              |                                   | 1                                       |
| Westhespians                              | 917                                     | 2,681                        | 3,269                             | 329                                     |
| Wise                                      | 552                                     |                              |                                   | 552                                     |
| Womens Empower                            | 286                                     |                              |                                   | 286                                     |
| Yearbook                                  | <u>30,620</u>                           | 15,916                       | 12,635                            | <u>33,901</u>                           |
| Total Half Hollow Hills HS West           | <u>99,476</u>                           | 120,224                      | 123,373                           | <u>96,327</u>                           |
| <b>Candlewood Middle School</b>           |                                         |                              |                                   |                                         |
| Chamber Orchestra                         | 1,816                                   | 360                          | 1,138                             | 1,038                                   |
| Dance Line                                | 472                                     | 1                            | 180                               | 293                                     |
| Dramatic Arts                             | 5,193                                   | 14,300                       | 9,184                             | 10,309                                  |
| Eighth Grade                              | 25,827                                  | 28,056                       | 30,196                            | 23,687                                  |
| National Jr Honor Society                 | 5,585                                   |                              | 129                               | 5,456                                   |
| Service Club                              | 5,945                                   | 5,733                        | 4,756                             | 6,922                                   |
| Student Council                           | 14,517                                  | 5,341                        | 5,689                             | 14,169                                  |
| Yearbook                                  | <u>16,416</u>                           | 23,078                       | 15,424                            | <u>24,070</u>                           |
| Total Candlewood Middle School            | <u>75,771</u>                           | 76,869                       | 66,696                            | <u>85,944</u>                           |
| <b>West Hollow Middle School</b>          |                                         |                              |                                   |                                         |
| Dramatic Arts                             | 25,234                                  | 49,157                       | 24,074                            | 50,317                                  |
| Environmental                             | 625                                     |                              |                                   | 625                                     |
| Hi-Tech                                   | 10                                      |                              |                                   | 10                                      |
| National Junior Honor Society             | 278                                     |                              |                                   | 278                                     |
| SADD                                      | 33                                      |                              |                                   | 33                                      |
| School Store                              | 4,810                                   | 11,693                       | 13,203                            | 3,300                                   |
| Student Council                           | 14,996                                  | 31,755                       | 30,738                            | 16,013                                  |
| Tri-M                                     | 544                                     | 15,248                       | 15,335                            | 457                                     |
| Yearbook                                  | <u>4,366</u>                            | 19,951                       | 19,867                            | <u>4,450</u>                            |
| Total West Hollow Middle School           | <u>50,896</u>                           | 127,804                      | 103,217                           | <u>75,483</u>                           |
| <b>Grand Total</b>                        | <u><u>\$ 372,675</u></u>                | <u><u>\$ 607,665</u></u>     | <u><u>\$ 571,896</u></u>          | <u><u>\$ 408,444</u></u>                |

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITIES FUND**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2024

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The extraclassroom activities fund represents funds of the students of Half Hollow Hills Central School District. Although, the extraclassroom activities fund are independent of 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 the activities and it has been determined that District management exercises administrative involvement with respect to the financial transactions. Based on these criteria, the extraclassroom activities fund is included in 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.

**II. 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 activities fund's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities on the District's behalf at year end.





October 16, 2024

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 Half Hollow Hills Central School District (District) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of 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 audit we noted certain other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum updates those prior year's findings and suggestions concerning those matters. In addition, we noted some current audit matters that we feel are opportunities for strengthening internal controls and operating efficiencies. This letter does not affect our report dated October 16, 2024, on the financial statements of 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, and others you deem appropriate within the District, as well as any governmental authorities you need to share this information with and 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 offers programs for students with disabilities under §4408 and §4201 of the Education Law, enabling it to receive State reimbursements for a portion of qualified educational, maintenance, and transportation costs. The district covers the remaining expenses and any non-reimbursable costs through the STAC (System to Track and Account for Children) process. To receive state aid, the district must verify costs via STAC.

In our previous audit, we found that the district had 2022-23 STAC approved costs of \$2,634,431 but completed online verification for only \$2,421,492 for the summer §4408 program. This resulted in \$212,940 in unverified costs that will not be reimbursed until verified online.

In the current audit, the district had 2023-24 STAC approved costs of \$2,578,390, with online verification completed for \$2,442,191 for the summer §4408 program. This left \$136,199 in unverified costs.

We recommend that the district streamline the online verification process for STAC approved costs to ensure timely submissions. This will help guarantee that all eligible costs are verified and reimbursed without unnecessary delays.

**School Food Service Fund**

The District's school food service fund 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.

In our previous audit, we observed that the school food service fund balance was in excess of three months' average operating expenditures.

In our current year audit, we noted that the school food service fund balance was over five months of the average monthly operating expenditures. However, effective July 1, 2024, the USDA approved a modification to allow schools to maintain up to six months of average operating expenditures retroactive to June 30, 2024. Therefore, the District is now in compliance with the updated regulation.

This comment is now closed.

### **CURRENT YEAR COMMENTS**

#### **Extraclassroom Activities Fund**

The Extraclassroom Activities Fund serves as the depository for student money. The New York State Education Department (SED) provides guidelines for the Safeguarding, Accounting, and Auditing of Extraclassroom Activities Funds. These guidelines outline procedures for organizing activities, controlling receipts and disbursements, and recording and reporting transactions.

During our current year's audit, we conducted sample testing of the extraclassroom activities clubs and noted the following:

#### **High School**

- In our sample of ten cash receipts, we found three instances where the receipt forms lacked evidence of involvement from the central treasurer, faculty advisor, or students.
- In our sample of ten cash disbursements, we observed:
  - One instance without adequate supporting documentation attached to the disbursement form.
  - One instance lacking the faculty advisor's signature to verify approval of the disbursement.
  - One instance where an order was shipped to a club advisor's address rather than the school.

#### **Middle School**

- In our sample of ten (10) cash disbursements, we identified four (4) instances where the disbursement forms lacked any signature from the central treasurer, indicating approval or involvement in the transactions.

We recommend that the district provide guidance and necessary training for those involved in student activity clubs, in accordance with the SED guidelines outlined in the "Safeguarding, Accounting, and Auditing of Extraclassroom Activities Funds" manual, to address and remediate these findings.

#### **Capital Project Funds**

The district funds the acquisition and construction of capital facilities through annual budgetary appropriations or approved financing methods, such as long-term debt or capital reserves. These projects are recorded in the Capital Projects Fund. Upon completion, any unexpended balances should be returned to the General Fund if funded by appropriations or reserves or transferred to the Debt Service Fund if financed by debt, to support future debt service payments.

During our review of the current year's schedule of project expenditures and financing sources, we identified several projects with negative fund balances. This suggests that either budget transfers were not executed for these projects or that they were unintentionally overspent. A comprehensive review of these projects and their scope is essential to ensure that any future budget transfers are permissible and within project scope. If overspending is confirmed, the district will need to seek voter approval for a transfer in the subsequent year to address this issue.

## **Half Hollow Hills Central School District**

For the Year Ended June 30, 2024

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We recommend that the district assess these projects and implement necessary corrective actions to resolve the negative fund balances.

### **Capital Assets**

Safeguarding the District's investment in capital assets is crucial for sound fiscal management. Accurate capital asset records are necessary to appropriately record asset costs and related depreciation in the financial statements.

During the audit, we noted that the district had over \$11 million in construction in progress, with more than \$9 million related to prior year projects. Many of these prior year's costs are likely complete and should be classified as operational.

We recommend that the district conduct an annual review of construction in progress and transfer completed costs to the appropriate capital asset classifications (e.g., building, improvements, equipment). Additionally, it is important to begin depreciating these capital assets over their expected useful lives.