



**HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2025

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Half Hollow Hills Central School District ("the District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Half Hollow Hills Central School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, "Change in Accounting Principle", the District has adopted the provisions of GASB Statement No. 101, *Compensated Absences*, as of June 30, 2025. Our opinion is not modified with respect to this new accounting principle.

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 19 and 60 through 64, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Half Hollow Hills Central School District's basic financial statements. The accompanying combining nonmajor funds financial statements are presented on pages 65 and 66 for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information on pages 67 through 69 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 30, 2025, 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

Port Jefferson Station, New York
October 30, 2025

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

The Half Hollow Hills Central School District's ("the District") discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025 in comparison with the year ended June 30, 2024, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, and required supplementary information, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025, are as follows:

- The District's total net position was a deficit of \$330,872,675 in the district-wide financial statements at June 30, 2025, compared to a deficit of \$327,077,196 at June 30, 2024. The deficit increased by \$1,072,792 over the prior year due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- For the fiscal year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The implementation of this statement resulted in an increase in compensated absences and a decrease in total net position of \$2,722,687.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$298,654,216. Of this amount, \$12,399,183 was offset by program charges for services, and operating grants and contributions. General revenues of \$285,182,241 amount to 95.83% 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 \$73,356,614 at June 30, 2025. This balance represents a \$5,683,597 decrease (7.19%) from the prior year due to an excess of expenditures and other financing uses over revenues and other financing sources, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Restricted fund balances decreased by \$5,822,360 due to the use of reserves, offset partially by the allocation of interest earnings.
 - Assigned fund balance decreased \$211,337, due to fewer open encumbrances at year end.
 - Unassigned fund balance increased by \$350,100 to \$12,306,580.
- The District's 2025 property tax levy of \$230,235,146 was a 2.54% increase over the 2024 tax levy and was equal to the property tax cap.
- The District continues to receive the highest fiscal stress monitoring rating of "No Designation" (best rating) on the last available report from the Office of the New York State Comptroller.
- The District aggressively and consistently managed its expenses throughout the year to ensure it maintains a strong foundation for entering into the 2025-2026 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.

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

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

Governmental Funds

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

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

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

The District maintains seven individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, extraclassroom activities fund, and scholarships fund. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, special aid fund, and capital projects fund, since the District has elected to report them as major funds. Combining information for the nonmajor funds can be found elsewhere in this report.

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

Fiduciary Fund

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$1,072,792 between fiscal year 2025 and 2024 to \$330,872,675. 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)

	2025	2024	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 117,138,427	\$ 122,190,842	\$ (5,052,415)	(4.13)%
Capital Assets, Net	103,632,097	104,832,563	(1,200,466)	(1.15)%
Net Pension Assets - Proportionate Share	17,120,271		17,120,271	N/A
Total Assets	237,890,795	227,023,405	10,867,390	4.79 %
Deferred Outflows of Resources	71,348,645	89,719,150	(18,370,505)	(20.48)%
Liabilities				
Current and Other Liabilities	27,544,962	26,756,092	788,870	2.95 %
Long-Term Liabilities	42,523,940	43,636,026	(1,112,086)	(2.55)%
Total OPEB Liability	424,819,435	483,313,963	(58,494,528)	(12.10)%
Net Pension Liabilities - Proportionate Share	15,723,170	21,593,180	(5,870,010)	(27.18)%
Total Liabilities	510,611,507	575,299,261	(64,687,754)	(11.24)%
Deferred Inflows of Resources	129,500,608	68,520,490	60,980,118	89.00 %
Net Position (Deficit)				
Net Investment in Capital Assets	91,010,451	89,073,367	1,937,084	2.17 %
Restricted	73,745,736	62,621,219	11,124,517	17.76 %
Unrestricted (Deficit)	(495,628,862)	(478,771,782)	(16,857,080)	3.52 %
Total Net Position (Deficit)	\$ (330,872,675)	\$ (327,077,196)	(3,795,479)	1.16 %
Change in Accounting Principle			2,722,687	
Total Change in Net Position (Deficit)			\$ (1,072,792)	

The decrease in current and other assets was primarily due to decreases in cash, amounts due from state and federal and other governments and leases receivable.

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

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate share switched from a liability to an asset. This change was driven by strong market performance. The "Pension Plans – New York State" Note provides additional information.

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

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

Current and other liabilities increased as compared to the prior year. This increase is predominantly due to an increase in amounts due to teachers' retirement system, compensated absences and other liabilities, offset by decreases in accounts payable and accrued liabilities amounts.

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, lease liabilities, and the amortization of bond premiums. These decreases were offset partially by an increase in workers' compensation liabilities. The "Long-Term Liabilities" Note provides additional information. In addition, the long-term liabilities reflect a \$2,722,687 increase in the compensated absences liability as of July 1, 2024, as a result of the implementation of GASB Statement No 101, *Compensated Absences*.

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

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's (ERS) net pension liability at the measurement date. The net change in the net pension liability – proportionate share is the result of an increase in the proportionate share for the ERS, which was due to the net result of several factors, including increases in benefits earned by active employees, cost-of-living adjustments, and an increase in the number of retirees, resulting in larger benefit payments, offset by the switch in the TRS net pension liability – proportionate share to an asset. The "Pension Plans – New York State" Note provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years, 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 decreased from the prior year, mainly due to the use of reserves, offset by interest earnings and funding transfers into the reserves; however, the amount of the net pension asset has also been restricted in the district-wide statement of net position, which resulted in the net increase.

The unrestricted (deficit) amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability. The unrestricted (deficit) amount also reflects an increase of \$2,722,687 as of July 1, 2024, as a result of the change in the compensated absences liability due to the implementation of GASB Statement No. 101.

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

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, 2025 and 2024, is as follows:

	2025	2024	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,045,811	\$ 3,176,462	\$ (1,130,651)	(35.59)%
Operating Grants & Contributions	10,353,372	10,096,071	257,301	2.55 %
General Revenues				
Property Taxes and STAR	230,235,727	224,542,324	5,693,403	2.54 %
State Sources	41,580,849	41,629,178	(48,329)	(0.12)%
Other	13,365,665	14,069,202	(703,537)	(5.00)%
Total Revenues	<u>297,581,424</u>	<u>293,513,237</u>	<u>4,068,187</u>	1.39 %
Expenses				
General Support	32,216,128	33,006,251	(790,123)	(2.39)%
Instruction	241,482,964	259,502,990	(18,020,026)	(6.94)%
Pupil Transportation	19,595,270	19,156,551	438,719	2.29 %
Community Services	185,542	161,311	24,231	15.02 %
Debt Service - Interest	1,344,091	1,649,919	(305,828)	(18.54)%
Food Service Program	3,830,221	3,555,063	275,158	7.74 %
Total Expenses	<u>298,654,216</u>	<u>317,032,085</u>	<u>(18,377,869)</u>	(5.80)%
Decrease in Net Position	(1,072,792)	<u><u>\$ (23,518,848)</u></u>	<u><u>\$ 22,446,056</u></u>	(95.44)%
Net Position (Deficit) - Beginning of Year, as Previously Reported	(327,077,196)			
Change in Accounting Principle	<u>(2,722,687)</u>			
Net Position (Deficit) - Beginning of Year, as Restated	<u>(329,799,883)</u>			
Net Position (Deficit) - End of Year	<u><u>\$ (330,872,675)</u></u>			

Certain prior year revenues for the extraclassroom activities fund (miscellaneous) and the scholarships fund (interest), have been reclassified from program revenues to general revenues to conform with the current year's presentation.

The change in net position represents the District's operating loss using the economic resources measurement focus and the accrual basis of accounting. The District's net position decreased by \$1,072,792 and \$23,518,848, for the years ended June 30, 2025 and 2024, respectively.

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

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

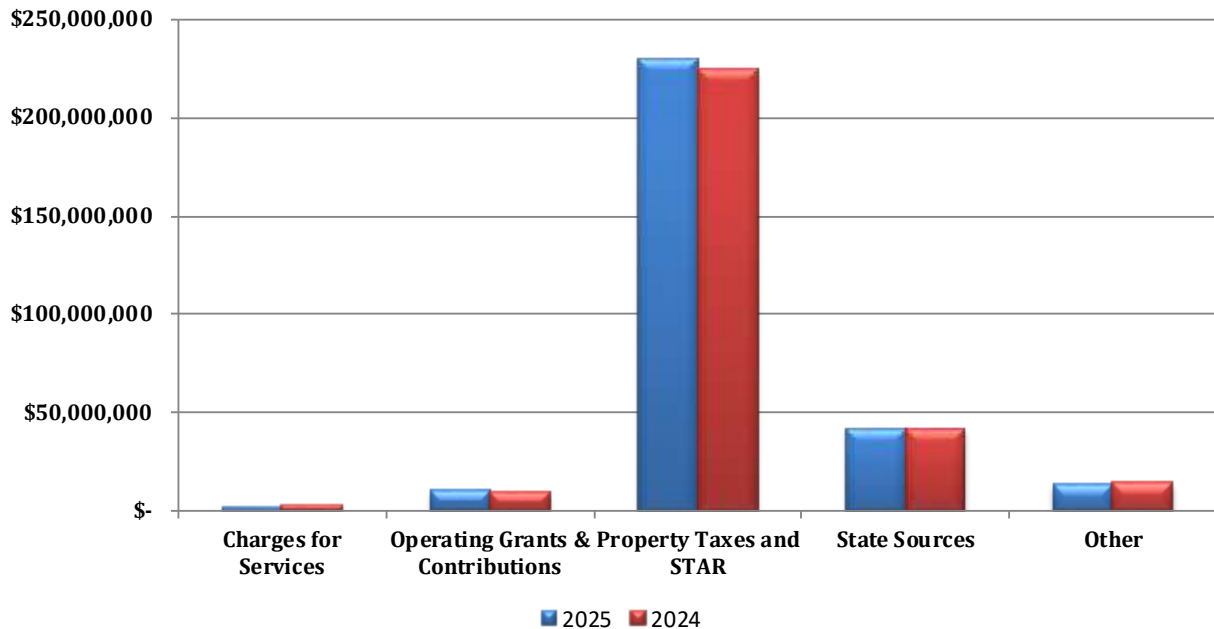
- Real property taxes and STAR combined were increased to fund additional appropriations in the voter-approved 2024-2025 budget.

The District’s expenses decreased when compared to the prior year, primarily due to the following major change:

- General support and instruction largely decreased based on the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 77.4% and 76.5% of the total for the years 2025 and 2024, respectively). Instruction expense is the largest category of expenses incurred (i.e., 80.7% and 81.9% of the total for the years 2025 and 2024, respectively).

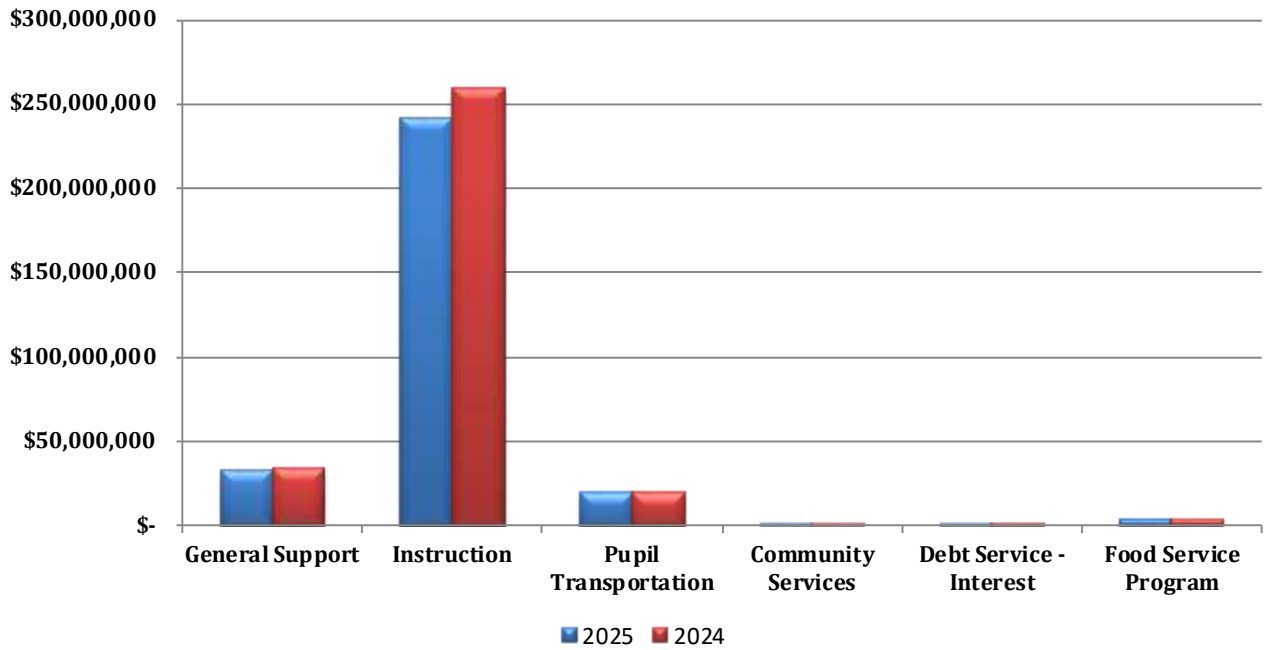
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants & Contributions	Property Taxes and STAR	State Sources	Other
2025	0.7%	3.5%	77.4%	14.0%	4.4%
2024	1.1%	3.4%	76.5%	14.2%	4.8%

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

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
2025	10.8%	80.7%	6.6%	0.1%	0.5%	1.3%
2024	10.4%	81.9%	6.0%	0.1%	0.5%	1.1%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2025, the District's governmental funds reported a combined fund balance of \$85,327,946, which is a decrease of \$3,898,442 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund, is as follows:

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

	2025	2024	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	\$ 3,176,736	\$ 4,014,072	\$ (837,336)	(20.86)%
Unemployment insurance	3,138,027	3,056,534	81,493	2.67 %
Retirement contribution				
Teachers' retirement system	931,593	2,614,567	(1,682,974)	(64.37)%
Employees' retirement system	16,343,622	20,006,174	(3,662,552)	(18.31)%
Property loss	1,678,293	1,606,392	71,901	4.48 %
Liability	570,385	545,949	24,436	4.48 %
Employee benefit accrued liability	13,280,905	13,788,731	(507,826)	(3.68)%
Capital	16,117,419	15,426,921	690,498	4.48 %
Assigned:				
Appropriated fund balance	5,275,000	5,275,000	-	0.00 %
Unappropriated fund balance	538,054	749,391	(211,337)	(28.20)%
Unassigned: Fund balance	12,306,580	11,956,480	350,100	2.93 %
	<u>73,356,614</u>	<u>79,040,211</u>	<u>(5,683,597)</u>	<u>(7.19)%</u>
Capital Projects Fund				
Assigned: Unappropriated fund balance	<u>8,032,233</u>	<u>6,313,625</u>	<u>1,718,608</u>	27.22 %
School Food Service Fund				
Nonspendable: Inventory		84,768	(84,768)	(100.00)%
Assigned: Unappropriated fund balance		<u>1,817,461</u>	<u>(1,817,461)</u>	(100.00)%
	<u>-</u>	<u>1,902,229</u>	<u>(1,902,229)</u>	(100.00)%
Debt Service Fund				
Restricted: Debt		<u>1,173,541</u>	<u>(1,173,541)</u>	(100.00)%
Extracurricular Activities Fund				
Assigned: Unappropriated fund balance		<u>408,444</u>	<u>(408,444)</u>	(100.00)%
Scholarships Fund				
Restricted: Scholarships		<u>388,338</u>	<u>(388,338)</u>	(100.00)%
Nonmajor Funds				
Nonspendable: Inventory	55,124		55,124	N/A
Restricted:				
Debt	992,492		992,492	N/A
Scholarships	395,993		395,993	N/A
Assigned: Unappropriated fund balance	<u>2,495,490</u>		<u>2,495,490</u>	N/A
	<u>3,939,099</u>	<u>-</u>	<u>3,939,099</u>	N/A
Total Fund Balance	<u>\$ 85,327,946</u>	<u>\$ 89,226,388</u>	<u>\$ (3,898,442)</u>	(4.37)%

A. General Fund

The general fund – fund balance is a net decrease of \$5,683,597, compared to an increase of \$2,818,909 in 2024. This resulted from expenditures and other financing uses in excess of revenues and other financing sources.

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

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

	2025	2024	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	\$ 230,235,727	\$ 224,542,324	\$ 5,693,403	2.54 %
Other Local Sources	13,256,275	16,722,496	(3,466,221)	(20.73)%
State Sources	41,580,849	41,629,178	(48,329)	(0.12)%
Medicaid Reimbursement	388,447	211,725	176,722	83.47 %
Federal Sources	81,728	774,678	(692,950)	(89.45)%
Other Financing Sources	222,500	222,500	-	0.00 %
	<u>\$ 285,765,526</u>	<u>\$ 284,102,901</u>	<u>\$ 1,662,625</u>	0.59 %

- Property taxes and STAR increased due to the growth in the tax levy in accordance with the 2024-2025 voter-approved budget.
- Other tax items decreased due to lower PILOT payments received from the Town of Huntington.
- Federal sources decreased, as the district received an emergency connectivity fund award in the prior year for the purchase of chromebooks.

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

	2025	2024	Increase (Decrease)	Percentage Change
General Support	\$ 25,881,396	\$ 24,566,675	\$ 1,314,721	5.35 %
Instruction	161,237,482	157,581,028	3,656,454	2.32 %
Pupil Transportation	16,994,449	16,413,563	580,886	3.54 %
Community Services	125,267	97,777	27,490	28.11 %
Employee Benefits	76,394,676	70,737,000	5,657,676	8.00 %
Debt Service	1,035,908	1,102,230	(66,322)	(6.02)%
Other Financing Uses	9,779,945	10,785,719	(1,005,774)	(9.33)%
	<u>\$ 291,449,123</u>	<u>\$ 281,283,992</u>	<u>\$ 10,165,131</u>	3.61 %

- 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.
- Other financing uses decreased as the general fund provided less to the nonmajor funds (debt service) as a result of lower debt payments.

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

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

	Balance June 30, 2024	Use of Reserves	Interest	Funding	Balance June 30, 2025
Workers' compensation	\$ 4,014,072	\$ (1,017,003)	\$ 179,667	\$	\$ 3,176,736
Unemployment insurance	3,056,534	(55,315)	136,808		3,138,027
Retirement contribution					
TRS	2,614,567	(1,800,000)	117,026		931,593
ERS	20,006,174	(4,558,014)	895,462		16,343,622
Property loss	1,606,392		71,901		1,678,293
Liability	545,949		24,436		570,385
EBALR	13,788,731	(1,125,000)	617,174		13,280,905
Capital	15,426,921		690,498		16,117,419
	<u>\$ 61,059,340</u>	<u>\$ (8,555,332)</u>	<u>\$ 2,732,972</u>	<u>\$</u>	<u>\$ 55,236,980</u>

B. Special Aid Fund

Revenues and other financing sources, and expenditures in the special aid fund were \$8,137,067 for 2024-2025, an increase of \$70,228 over the prior year. The increase is the result of the District recognizing more in state grant revenues.

C. Capital Projects Fund

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

D. Nonmajor Funds

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

The net change in the remaining nonmajor funds – fund balance is an increase of \$66,547, compared to an increase of \$1,095,731 in 2024, as revenues and other sources of \$8,546,382 exceeded expenditures and other financing uses of \$8,479,835. Revenues decreased \$2,114,751 or 19.84% from the prior year. This decrease was mainly due to a decrease in the transfer in from the general fund to the nonmajor funds (debt service).

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

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

	Balance June 30, 2024	Use of Reserves	Interest	Funding	Balance June 30, 2025
Debt	\$ 1,173,541	\$ (3,954,964)	\$ 58,451	\$ 3,715,464	\$ 992,492
Scholarships	388,338	(56,420)	16,825	47,250	395,993
	<u>\$ 1,561,879</u>	<u>\$ (4,011,384)</u>	<u>\$ 75,276</u>	<u>\$ 3,762,714</u>	<u>\$ 1,388,485</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2024-2025 Budget

The District's general fund adopted budget for the year ended June 30, 2025 was \$298,912,008. This amount was increased by encumbrances carried forward from the prior year in the amount of \$749,391 and budget revisions of \$1,171,669, for a total final budget of \$300,833,068.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$230,235,146 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 and other financing sources over expenditures and other financing uses, net of transfers to reserves, appropriations to fund the subsequent year's budget, and encumbrances. The change in this balance, demonstrated through a comparison of the actual revenues and other financing sources and expenditures and other financing uses for the year compared to budget, follows:

Opening, Unassigned Fund Balance	\$ 11,956,480
Revenues and Other Financing Sources Under Budget	(285,137)
Expenditures, Other Financing Uses, and Encumbrances Under Budget	8,845,891
Unused Appropriated Reserves	(202,682)
Allocation to Reserves	(2,732,972)
Appropriated to the June 30, 2026 Budget	<u>(5,275,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 12,306,580</u>

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

Opening, Unassigned Fund Balance

The \$11,956,480 shown in the table is the portion of the District's June 30, 2024 fund balance that was retained as unassigned.

Revenues and Other Financing Sources Under Budget

The District's 2024-2025 final budget for revenues and other financing sources was \$286,050,663. Actual revenues and other financing sources recognized for the year were \$285,765,526. The deficiency of actual revenues and other financing sources from budgeted revenues and other financing sources was \$285,137, which contributes directly to the change in general fund unassigned fund balance from June 30, 2024 to June 30, 2025. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures, Other Financing Uses, and Encumbrances Under Budget

The 2024-2025 final budget for expenditures and other financing uses was \$300,833,068. Actual expenditures and other financing uses as of June 30, 2025 were \$291,449,123 and outstanding encumbrances were \$538,054. Combined, the expenditures and other financing uses plus encumbrances were \$291,987,177. The final budget variance was \$8,845,891, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2024 to June 30, 2025. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Unused Appropriated Reserves

In the 2024-2025 budget, \$7,800,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$202,682 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, 2025 unassigned fund balance to partially fund the 2025-2026 approved operating budget. As such, the June 30, 2025 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2025, was \$12,306,580. This amount equals 4.00% of the 2025-2026 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, 2025, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation/amortization expense of \$6,912,668 in excess of capital outlays and other additions of \$5,712,202 recorded for the year ended June 30, 2025. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2025 and 2024, is as follows:

	2025	2024	Increase (Decrease)
Land	\$ 2,629,860	\$ 2,629,860	\$ -
Construction in progress	8,113,152	11,135,732	(3,022,580)
Buildings and improvements	83,483,708	81,086,781	2,396,927
Site improvements	1,748,747	2,098,587	(349,840)
Vehicles	2,915,668	2,750,525	165,143
Furniture and equipment	4,480,845	4,740,903	(260,058)
Leased equipment	260,117	390,175	(130,058)
Capital assets, net	<u>\$ 103,632,097</u>	<u>\$ 104,832,563</u>	<u>\$ (1,200,466)</u>

B. Debt Administration

At June 30, 2025, the District had combined total debt of \$11,761,962. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at June 30, 2025 and 2024, is as follows:

Issue Commencement Date	Interest Rate	2025	2024	Increase (Decrease)
Bonds Payable				
4/11/2013	3.00% - 5.00%	\$ -	\$ 1,775,000	\$ (1,775,000)
2/6/2019	1.55% - 5.00%	10,410,000	11,020,000	(610,000)
		<u>\$ 10,410,000</u>	<u>\$ 12,795,000</u>	<u>\$ (2,385,000)</u>
Installment Purchase Debt				
12/7/2010	2.89%	<u>\$ 1,069,365</u>	<u>\$ 1,757,130</u>	<u>\$ (687,765)</u>
Lease Liabilities				
8/1/2023	4.50%	<u>\$ 282,597</u>	<u>\$ 409,132</u>	<u>\$ (126,535)</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, 2025 did not exceed the District's debt limit.

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

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

	2025	2024	Increase (Decrease)
Compensated absences	\$ 27,716,103	\$ 26,150,215	\$ 1,565,888
Workers' compensation liabilities	2,569,291	1,999,961	569,330
Total OPEB liability	424,819,435	483,313,963	(58,494,528)
Net Pension liabilities - proportionate share	15,723,170	\$ 21,593,180	(5,870,010)
	<u>\$ 470,827,999</u>	<u>\$ 533,057,319</u>	<u>\$ (62,229,320)</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 20, 2025, for the year ending June 30, 2026, is \$307,664,521. This is an increase of \$8,752,513 or 2.93% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$192,103 increase, principally due to an estimated increase in miscellaneous revenues. The assigned, appropriated fund balance applied to the budget in the amount of \$5,275,000 is the same as the previous year. Additionally, the District has elected to appropriated reserves of \$10,000,000 towards next year's budget, which is an increase of \$2,200,000 over the previous year. property tax levy increase of \$6,360,410 (2.76%), 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)

C. Tax Cap

New York State law limits the annual increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation plus additional statutory adjustments to the tax levy limit. School districts may override the tax levy limit (tax cap) by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit; however, that budget must be approved by at least 60% of the votes cast. Based on the law, the District's 2025-2026 property tax increase of 2.76% 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, 2025

ASSETS

Cash	
Unrestricted	\$ 46,460,211
Restricted	56,625,465
Receivables	
Accounts receivable	194,840
Due from state and federal	8,185,329
Due from other governments	1,748,472
Lease receivable	3,868,986
Inventories	55,124
Capital assets:	
Not being depreciated	10,743,012
Being depreciated/amortized, net of accumulated depreciation/amortization	92,889,085
Net pension assets - proportionate share	17,120,271
Total Assets	237,890,795

DEFERRED OUTFLOWS OF RESOURCES

Pensions	50,368,776
Other postemployment benefits	20,979,869
Total Deferred Outflows of Resources	71,348,645

LIABILITIES

Payables	
Accounts payable	6,867,849
Accrued liabilities	1,747,539
Due to other governments	62,039
Due to teachers' retirement system	12,016,855
Due to employees' retirement system	1,689,559
Compensated absences payable	2,687,643
Other liabilities	2,230,931
Unearned credits - Collections in advance	242,547
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	669,300
Installment purchase debt payable	707,784
Lease liabilities	132,349
Compensated absences payable	3,770,905
Workers' compensation liabilities	900,000
Total other postemployment benefits liability	16,522,780
Due and payable after one year	
Bonds payable, net	10,217,284
Installment purchase debt payable	361,581
Lease liabilities	150,248
Compensated absences payable	23,945,198
Workers' compensation liabilities	1,669,291
Total other postemployment benefits liability	408,296,655
Net pension liabilities - proportionate share	15,723,170
Total Liabilities	510,611,507

DEFERRED INFLOWS OF RESOURCES

Lease	3,868,986
Pensions	22,334,648
Other postemployment benefits	103,296,974
Total Deferred Inflows of Resources	129,500,608

NET POSITION (DEFICIT)

Net investment in capital assets	91,010,451
Restricted	
Workers' compensation	3,176,736
Unemployment insurance	3,138,027
Retirement contribution	
Teachers' retirement system	931,593
Employees' retirement system	16,343,622
Property loss	1,678,293
Liability	570,385
Employee benefit accrued liability	13,280,905
Capital	16,117,419
Debt	992,492
Scholarships	395,993
Pension	17,120,271
	73,745,736
Unrestricted (Deficit)	(495,628,862)
Total Net Position (Deficit)	\$ (330,872,675)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants & Contributions	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 32,216,128	\$	\$	\$ (32,216,128)
Instruction	241,482,964	959,592	7,381,706	(233,141,666)
Pupil transportation	19,595,270			(19,595,270)
Community services	185,542			(185,542)
Debt service - interest	1,344,091			(1,344,091)
Food service program	3,830,221	1,086,219	2,971,666	227,664
	<u>\$ 298,654,216</u>	<u>\$ 2,045,811</u>	<u>\$ 10,353,372</u>	<u>(286,255,033)</u>
Total Functions and Programs				
GENERAL REVENUES				
Real property taxes				224,629,418
Other tax items				10,030,541
Use of money and property				5,318,453
Sale of property and compensation for loss				303,141
Miscellaneous				2,931,392
State sources				41,580,849
Medicaid reimbursement				388,447
				<u>285,182,241</u>
Total General Revenues				
Change in Net Position				<u>(1,072,792)</u>
Total Net Position (Deficit) - Beginning of Year, as Previously Reported				(327,077,196)
Change in Accounting Principle				<u>(2,722,687)</u>
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(329,799,883)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (330,872,675)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2025

				Formerly Major Funds					
	General	Special Aid	Capital Projects	School Food Service	Debt Service	Extracurricular Activities	Scholarships	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash									
Unrestricted	\$ 39,313,242	\$ 351,070	\$ 5,052,380	\$	\$	\$	\$	\$ 1,743,519	\$ 46,460,211
Restricted	54,364,704							2,260,761	56,625,465
Receivables									
Accounts receivable	122,516							72,324	194,840
Due from other funds	6,214,505	197,220	7,806,800					832,736	15,051,261
Due from state and federal	3,152,726	4,855,321						177,282	8,185,329
Due from other governments	1,748,472								1,748,472
Lease receivable	3,868,986								3,868,986
Inventories								55,124	55,124
Total Assets	<u>\$ 108,785,151</u>	<u>\$ 5,403,611</u>	<u>\$ 12,859,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,141,746</u>	<u>\$ 132,189,688</u>
LIABILITIES									
Payables									
Accounts payable	\$ 6,243,999	\$ 87,232	\$ 383,100	\$	\$	\$	\$	\$ 153,518	\$ 6,867,849
Accrued liabilities	1,673,693	5,026						39,947	1,718,666
Due to other funds	4,529,956	5,187,382	4,443,847					890,076	15,051,261
Due to other governments	61,509							530	62,039
Due to teachers' retirement system	12,016,855								12,016,855
Due to employees' retirement system	1,689,559								1,689,559
Compensated absences payable	2,687,643								2,687,643
Other liabilities	2,230,931								2,230,931
Unearned credits									
Collections in advance		123,971						118,576	242,547
Total Liabilities	<u>31,134,145</u>	<u>5,403,611</u>	<u>4,826,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202,647</u>	<u>42,567,350</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	425,406								425,406
Lease	3,868,986								3,868,986
Total Deferred Inflows of Resources	<u>4,294,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,294,392</u>
FUND BALANCES									
Nonspendable: Inventory								55,124	55,124
Restricted:									
Workers' compensation	3,176,736								3,176,736
Unemployment insurance	3,138,027								3,138,027
Retirement contribution									
Teachers' retirement system	931,593								931,593
Employees' retirement system	16,343,622								16,343,622
Property loss	1,678,293								1,678,293
Liability	570,385								570,385
Employee benefit accrued liability	13,280,905								13,280,905
Capital	16,117,419								16,117,419
Debt								992,492	992,492
Scholarships								395,993	395,993
Assigned:									
Appropriated fund balance	5,275,000								5,275,000
Unappropriated fund balance	538,054		8,032,233					2,495,490	11,065,777
Unassigned: Fund balance	12,306,580								12,306,580
Total Fund Balances	<u>73,356,614</u>	<u>-</u>	<u>8,032,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,939,099</u>	<u>85,327,946</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 108,785,151</u>	<u>\$ 5,403,611</u>	<u>\$ 12,859,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,141,746</u>	<u>\$ 132,189,688</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the District-wide Statement of Net Position
June 30, 2025

Total Governmental Fund Balances \$ 85,327,946

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	\$ 294,759,907	
Less: Accumulated depreciation/amortization	<u>(191,127,810)</u>	103,632,097

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

Deferred outflows of resources	50,368,776	
Net pension asset - teachers' retirement system	17,120,271	
Net pension liability - employees' retirement system	(15,723,170)	
Deferred inflows of resources	<u>(22,334,648)</u>	29,431,229

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	20,979,869	
Total other postemployment benefits liability	(424,819,435)	
Deferred inflows of resources	<u>(103,296,974)</u>	(507,136,540)

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.

425,406

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	(28,873)	
Bonds payable, net	(10,886,584)	
Installment purchase debt payable	(1,069,365)	
Lease liabilities	(282,597)	
Compensated absences payable	(27,716,103)	
Workers' compensation liabilities	<u>(2,569,291)</u>	(42,552,813)

Total Net Position (Deficit)		<u><u>\$ (330,872,675)</u></u>
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HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	General	Special Aid	Capital Projects	Formerly Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
				School Food Service	Debt Service	Extraclassroom Activities	Scholarships		
REVENUES									
Real property taxes	\$ 224,629,418	\$	\$	\$	\$	\$	\$	\$	\$ 224,629,418
Other tax items	10,030,541								10,030,541
Charges for services	1,147,198								1,147,198
Use of money and property	5,171,463							146,990	5,318,453
Sale of property and compensation for loss	303,141								303,141
Miscellaneous	2,210,241	4,790						778,777	2,993,808
State sources	41,580,849	4,348,422	500,000					1,351,592	47,780,863
Medicaid reimbursement	388,447								388,447
Federal sources	81,728	2,899,516						1,620,074	4,601,318
Sales								1,075,843	1,075,843
Total Revenues	285,543,026	7,252,728	500,000	-	-	-	-	4,973,276	298,269,030
EXPENDITURES									
General support	25,881,396							17,000	25,898,396
Instruction	161,237,482	7,522,804						764,233	169,524,519
Pupil transportation	16,994,449	614,263							17,608,712
Community services	125,267								125,267
Employee benefits	76,394,676							457,675	76,852,351
Debt service									
Principal	126,536							3,072,764	3,199,300
Interest	909,372							500,342	1,409,714
Food service program								3,445,321	3,445,321
Capital outlay			4,103,892						4,103,892
Total Expenditures	281,669,178	8,137,067	4,103,892	-	-	-	-	8,257,335	302,167,472
Excess (Deficiency) of Revenues Over Expenditures	3,873,848	(884,339)	(3,603,892)	-	-	-	-	(3,284,059)	(3,898,442)
OTHER FINANCING SOURCES AND (USES)									
Operating transfers in	222,500	884,339	5,322,500					3,573,106	10,002,445
Operating transfers (out)	(9,779,945)							(222,500)	(10,002,445)
Total Other Financing Sources and (Uses)	(9,557,445)	884,339	5,322,500	-	-	-	-	3,350,606	-
Net Change in Fund Balances	(5,683,597)	-	1,718,608	-	-	-	-	66,547	(3,898,442)
Fund Balances - Beginning of Year, as Previously Reported	79,040,211	-	6,313,625	1,902,229	1,173,541	408,444	388,338	-	89,226,388
Change Within Reporting Entity				(1,902,229)	(1,173,541)	(408,444)	(388,338)	3,872,552	
Fund Balances - Beginning of Year, as Restated	79,040,211		6,313,625					3,872,552	89,226,388
Fund Balances - End of Year	<u>\$ 73,356,614</u>	<u>\$ -</u>	<u>\$ 8,032,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,939,099</u>	<u>\$ 85,327,946</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the District-wide Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances \$ (3,898,442)

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned. \$ (687,606)

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

Decrease in compensated absences payable 1,156,799

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 workers' compensation liabilities (569,330) (100,137)

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 5,712,202
Depreciation/amortization expense (6,912,668) (1,200,466)

Long-Term Debt Transaction Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities. 40,451

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 2,385,000
Installment purchase debt 687,765
Lease liabilities 126,535

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2024 to June 30, 2025. 25,172 3,264,923

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 1,651,623
Employees' retirement system 1,214,236
Other postemployment benefits (2,004,529) 861,330

Change in Net Position of Governmental Activities \$ (1,072,792)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2025

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

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

	<u>Custodial</u>
ADDITIONS	
Real property taxes and PILOT collected for the Library	\$ 9,581,017
DEDUCTIONS	
Disbursements of real property taxes and PILOT to the Library	<u>9,581,017</u>
Change in Net Position	-
Net Position - Beginning of Year	<u></u>
Net Position - End of Year	<u>\$ -</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

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

C. Basis of Presentation

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

The following are the District's nonmajor governmental funds:

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

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.

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

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)

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 1st. Taxes are collected by the Towns of Huntington and Babylon and remitted to the District from December to June.

Enforcement

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

School Tax Relief (STAR) Aid

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

F. Payments in Lieu of Taxes (PILOT)

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

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

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

the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, OPEB, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets and intangible 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 recorded when the transaction takes place, and the respective revenues are recognized as earned in the district-wide financial statements, and when available in the fund financial statements. Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

L. 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.

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

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.

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 and Intangible Assets

The district-wide financial statements report both capital and intangible assets, such as right-to-use leased 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 liabilities calculated in accordance with GASB standards.

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

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

O. Deferred Outflows of Resources

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

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

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.

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 nonmajor funds (school food service). These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

R. Employee Benefits – Compensated Absences

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

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

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

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

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

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

S. Other Benefits

Eligible District employees participate in the TRS or the ERS.

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

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

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 postemployment benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting as set forth by GASB.

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; the intangible term, the intangible right-to-use lease asset is initially measured at 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 liability is reduced by the principal portion of lease payments made and the intangible lease asset is amortized on a straight-line basis over the lease term.

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

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

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.

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 nonmajor funds (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.

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

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

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 nonmajor funds (debt service), and held until appropriated for debt payments. These restricted amounts are accounted for in the nonmajor funds (debt service).

Restricted for Scholarships

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

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

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

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

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

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

3. FUTURE ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

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

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.

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.

5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

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

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

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

Unanticipated costs funded by:	
State aid	\$ 100,000
Insurance recoveries	57,320
Other miscellaneous revenues	14,037
Other compensation for loss	1,812
Employee benefit appropriations funded by:	
Retirement contribution reserve	958,014
Instructional materials funded by donations	28,588
Instructional costs funded by student fees	<u>11,898</u>
	<u>\$ 1,171,669</u>

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

B. Encumbrances

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

C. Unrestricted Net Position Deficit

As of June 30, 2025, the governmental activities reported on unrestricted net position deficit of \$495,628,862. This deficit is primarily the result of unfunded liabilities such as the District recognizing its proportionate share of the net pension liabilities and total OPEB liabilities on the statement of net position. The accumulated effect of these required recognitions, coupled with the limitations from the state on funding the OPEB liabilities on a "pay as you go" basis, has resulted in a negative unrestricted net position. The District remains committed to its employees and retirees by continuing to make all required contributions to the pension plans and including these amounts in its annual budget to cover its share of the costs of postemployment health insurance coverage.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

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

7. PARTICIPATION IN BOCES

During the year ended June 30, 2025, the District was billed \$12,747,475 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,097,767. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

8. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - excess cost aid	\$ 1,016,361
BOCES aid	2,097,767
Medicaid	38,598
	<u>3,152,726</u>
Special Aid Fund	
State and federal grants	4,855,321
Nonmajor Funds	
Federal and state food service program reimbursement	<u>177,282</u>
	<u>\$ 8,185,329</u>

District management expects these amounts to be fully collectible.

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

9. DUE FROM OTHER GOVERNMENTS

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

General Fund	
PILOT payments	\$ 135,434
BOCES refund	150,147
BOCES - Arts in Education	115,801
Other districts - tuition and health services	913,767
Other districts - parentally placed	<u>433,323</u>
	<u>\$ 1,748,472</u>

District management expects these amounts to be fully collectible.

10. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 6,214,505	\$ 4,529,956	\$ 222,500	\$ 9,779,945
Special Aid Fund	197,220	5,187,382	884,339	
Capital Projects Fund	7,806,800	4,443,847	5,322,500	
Nonmajor Funds	<u>832,736</u>	<u>890,076</u>	<u>3,573,106</u>	<u>222,500</u>
Total Governmental Funds	<u>\$ 15,051,261</u>	<u>\$ 15,051,261</u>	<u>\$ 10,002,445</u>	<u>\$ 10,002,445</u>

The District typically transfers from the general fund to the special aid fund, capital projects fund, and nonmajor funds. 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 nonmajor funds (debt service) was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the capital projects fund was the 2024-2025 budgeted transfer of \$5,322,500 for district-wide renovations and improvements. The transfer from the nonmajor funds (debt service) to the general fund represents unspent debt proceeds used to offset debt payment costs in accordance with the 2024-2025 operating budget.

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

11. CAPITAL ASSETS

A. Changes

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

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,629,860	\$	\$	\$ 2,629,860
Construction in progress	11,135,732	1,283,801	(4,306,381)	8,113,152
Total capital assets not being depreciated	13,765,592	1,283,801	(4,306,381)	10,743,012
Capital assets being depreciated/amortized:				
Buildings and improvements	244,514,173	7,126,472	(1,539)	251,639,106
Site improvements	8,229,127			8,229,127
Vehicles	7,660,801	709,604	(563,787)	7,806,618
Furniture and equipment	18,318,225	898,706	(3,497,567)	15,719,364
Leased equipment	622,680			622,680
Total capital assets being depreciated/amortized	279,345,006	8,734,782	(4,062,893)	284,016,895
Less accumulated depreciation/amortization for:				
Buildings and improvements	163,427,392	4,729,545	(1,539)	168,155,398
Site improvements	6,130,540	349,840		6,480,380
Vehicles	4,910,276	544,461	(563,787)	4,890,950
Furniture and equipment	13,577,322	1,158,764	(3,497,567)	11,238,519
Leased equipment	232,505	130,058		362,563
Total accumulated depreciation/amortization	188,278,035	6,912,668	(4,062,893)	191,127,810
Total capital assets being depreciated/amortized, net	91,066,971	1,822,114	-	92,889,085
Capital assets, net	<u>\$ 104,832,563</u>	<u>\$ 3,105,915</u>	<u>\$ (4,306,381)</u>	<u>\$ 103,632,097</u>

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

General support	\$ 510,128
Instruction	5,861,029
Pupil transportation	496,348
Food service	45,163
Total depreciation/amortization expense	<u>\$ 6,912,668</u>

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

B. Lease Assets

The District has entered into a lease arrangement whose term is 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.

C. Impairment Losses

The District evaluates prominent events or changes in circumstances affecting capital or intangible assets to determine whether impairment of a capital or intangible asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2025, the District has not recorded any such impairment losses.

12. 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 June 30, 2025, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using various implicit interest rates were \$3,868,986. During the current fiscal year, the District extended various lease agreements. At June 30, 2025, the District recognized lease revenue and lease interest in the amount of \$1,280,409 and \$193,240, respectively.

13. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2024</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2025</u>
TAN	6/24/25	4.00%	<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 \$1,110,000. The District received a premium of \$216,450 for a net interest cost of \$893,550.

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

14. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 12,795,000	\$	\$ (2,385,000)	\$ 10,410,000	\$ 640,000
Premium on bonds	524,588		(48,004)	476,584	29,300
	13,319,588	-	(2,433,004)	10,886,584	669,300
Installment purchase debt	1,757,130		(687,765)	1,069,365	707,784
Lease liabilities	409,132		(126,535)	282,597	132,349
	15,485,850	-	(3,247,304)	12,238,546	1,509,433
<u>Other long-term liabilities:</u>					
Compensated absences*	28,872,902		(1,156,799)	27,716,103	3,770,905
Workers' compensation	1,999,961	1,641,544	(1,072,214)	2,569,291	900,000
Total OPEB liability	483,313,963		(58,494,528)	424,819,435	16,522,780
	<u>\$ 529,672,676</u>	<u>\$ 1,641,544</u>	<u>\$ (63,970,845)</u>	<u>\$ 467,343,375</u>	<u>\$ 22,703,118</u>

* The beginning balance of compensated absences of \$26,150,215, as previously reported, was increased by \$2,722,687 to present the cumulative effect of GASB Statement No. 101.

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

Additions and reductions to compensated absences are shown net. The maturity of compensated absences is not determinable.

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
Serial Bonds				
Serial Bond - Library	2/6/2019	6/15/2038	1.55% - 5.00%	<u>\$ 10,410,000</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
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	755,000	237,194	992,194
2031-2035	4,130,000	832,118	4,962,118
2036-2038	2,790,000	182,175	2,972,175
Total	<u>\$ 10,410,000</u>	<u>\$ 2,485,863</u>	<u>\$ 12,895,863</u>

C. Remedies Upon Default of Bonds Payments

The bonds are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and remedies for enforcement of payment are not expressly included in the District's contract with such owners. Upon default in the payment of principal of or interest on the bonds at the suit of the owner, a court has the power, in proper and appropriate proceedings, to render judgment against the District. A court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds from funds lawfully available 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 issued by school districts in New York State. In the event a holder or owner of any bond issued by a school district for school purposes shall file with the Office of the New York State Comptroller (OSC), a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both. The OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such state aid or assistance due to such school district such amount thereof as may be required to pay the principal of and interest on such bonds of such school district then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such state aid or assistance due such school district such amount or amounts thereof as may be required to cure such default.

D. Premium on Obligations

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

Year Ending June 30,	Amortization of Premium
2026	\$ (29,300)
2027	(30,674)
2028	(32,047)
2029	(33,192)
2030	(34,565)
2031-2035	(189,076)
2036-2038	<u>(127,730)</u>
Total	<u>\$ (476,584)</u>

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

E. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
Installment Purchase Debt	12/7/2010	7/15/2026	2.89%	<u>\$ 1,069,365</u>

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 707,784	\$ 25,828	\$ 733,612
2027	361,581	5,224	366,805
Total	<u>\$ 1,069,365</u>	<u>\$ 31,052</u>	<u>\$ 1,100,417</u>

F. Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
BOCES - Copiers	8/1/2023	7/31/2027	4.50%	<u>\$ 282,597</u>

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 132,349	\$ 10,009	\$ 142,358
2027	138,429	3,929	142,358
2028	11,819	44	11,863
	<u>\$ 282,597</u>	<u>\$ 13,982</u>	<u>\$ 296,579</u>

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

G. Interest Expense

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

Interest paid	\$ 516,164
Less interest accrued in the prior year	(54,045)
Plus interest accrued in the current year	28,873
Less amortization of deferred amounts	<u>(40,451)</u>
Total	<u>\$ 450,541</u>

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

15. LIBRARY BOND

The voters of the 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 taxes 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, 2025, 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.

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

Employees' Retirement System

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

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.76% of covered payroll for the TRS' fiscal year ended June 30, 2024. The District's average contribution rate was 13.50% of covered payroll for the ERS' fiscal year ended March 31, 2025.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2025 was \$ 11,297,521 for TRS at the contribution rate of 10.11% and \$5,081,209 for ERS at an average contribution rate of 11.63%.

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

At June 30, 2025, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2024, for TRS and March 31, 2025 for ERS. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2024	March 31, 2025
District's proportionate share of the net pension asset/(liability)	\$ 17,120,271	\$ (15,723,170)
District's portion of the Plan's net pension liability	0.573811%	0.0917032%
Change in proportion since the prior measurement date	(0.002452)	(0.0101921)

For the year ended June 30, 2025, the District recognized a pension expense of \$9,708,567 for TRS and \$3,911,312 for ERS. At June 30, 2025, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

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

	<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	\$ 18,435,387	\$ 3,902,597	\$	\$ 184,088
Changes of assumptions	10,241,391	659,398	1,722,698	
Net difference between projected and actual earnings on pension plan investments		1,233,596	19,022,079	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,213,899	1,695,428	419,253	986,530
District contributions subsequent to the measurement date	<u>11,297,521</u>	<u>1,689,559</u>		
Total	<u>\$ 41,188,198</u>	<u>\$ 9,180,578</u>	<u>\$ 21,164,030</u>	<u>\$ 1,170,618</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, 2026. 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>
2026	\$ (8,649,271)	\$ 3,110,660
2027	21,065,285	4,311,010
2028	(3,285,790)	(1,157,999)
2029	(3,635,891)	56,730
2030	2,361,026	
Thereafter	<u>871,288</u>	
	<u>\$ 8,726,647</u>	<u>\$ 6,320,401</u>

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:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2024	March 31, 2025
Actuarial valuation date	June 30, 2023	April 1, 2024
Inflation	2.40%	2.90%
Salary increases	1.95-5.18%	4.30%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.50%

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

For TRS, annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021 for June 30, 2024 and June 30, 2023, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

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

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2024		March 31, 2025
Asset class				
Domestic equity	33.0%	6.60%	25.0%	3.54%
International equity	15.0%	7.40%	14.0%	6.57%
Global equity	4.0%	6.90%		
Real estate equity	11.0%	6.30%	12.0%	4.95%
Private equity	9.0%	10.00%	15.0%	7.25%
Alternatives investments			11.0%	5.25-5.55%
Domestic fixed income	16.0%	2.60%		
High-yield bonds	1.0%	4.80%		
Global fixed income	2.0%	2.50%		
Fixed income			22.0%	2.00%
Private debt	2.0%	5.90%		
Real estate debt	6.0%	3.90%		
Cash and equivalents	1.0%	0.50%		
Cash			1.0%	0.25%
	100.0%		100.0%	

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

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

Discount Rate

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

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

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

	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
TRS			
District's proportionate share of the net pension asset/(liability)	<u>\$ (79,079,517)</u>	<u>\$ 17,120,271</u>	<u>\$ 98,026,873</u>
	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
ERS			
District's proportionate share of the net pension asset/(liability)	<u>\$ (45,504,832)</u>	<u>\$ (15,723,170)</u>	<u>\$ 9,144,538</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, 2024	March 31, 2025
Employers' total pension liability	\$ (142,837,827)	\$ (247,600,239)
Plan fiduciary net position	<u>145,821,435</u>	<u>230,454,512</u>
Employers' net pension asset/(liability)	<u>\$ 2,983,608</u>	<u>\$ (17,145,727)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	102.09%	93.08%

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2025, are paid to the system in September, October and November 2025 through a state aid intercept. Accrued retirement contributions as of June 30, 2025, represent employer and employee contributions for the fiscal year ended June 30, 2025, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2025 amounted to \$11,297,521 of employer contributions and \$719,334 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2025, represent the projected employer contribution for the period of April 1, 2025 through June 30, 2025 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$1,689,559 of employer contributions. Employee contributions are remitted monthly.

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, 2025, totaled \$2,262,494 and \$6,409,060, 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, 2025 totaled \$1,759,623.

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.

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.

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

Employees Covered by Benefit Terms – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	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 \$424,819,435 was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2023. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Inflation	2.40%
Salary increases	2.40% including inflation
Discount rate	5.20%
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, 2025 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.

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

C. Changes in the Total OPEB Liability

Balance at June 30, 2024	<u>\$ 483,313,963</u>
Changes for the year	
Service cost	17,964,136
Interest on total OPEB liability	19,404,791
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(80,682,152)
Benefit payments	<u>(15,181,303)</u>
	<u>(58,494,528)</u>
Balance at June 30, 2025	<u><u>\$ 424,819,435</u></u>

Changes of assumptions and other input reflects a change in the discount rate from 3.93% in 2024 to 5.2% in 2025.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current discount rate:

OPEB	1% Decrease 4.20%	Discount Rate 5.20%	1% Increase 6.20%
Total OPEB liability	<u>\$ (486,557,723)</u>	<u>\$ (424,819,435)</u>	<u>\$ (374,120,730)</u>

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:

OPEB	1% Decrease 5.40% decreasing to 2.80%	Healthcare Cost Trend Rates 6.40% decreasing to 3.80%	1% Increase 7.40% decreasing to 4.80%
Total OPEB liability	<u>\$ (361,521,463)</u>	<u>\$ (424,819,435)</u>	<u>\$ (504,562,087)</u>

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

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

For the year ended June 30, 2025, the District recognized an OPEB expense of \$17,185,832. At June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 1,213,241	\$ 7,385,923
Changes of assumptions and other inputs	19,766,628	95,911,051
Total	<u>\$ 20,979,869</u>	<u>\$103,296,974</u>

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

Year Ending June 30,	Amount
2026	\$ 16,736,595
2027	17,406,483
2028	17,109,026
2029	14,601,170
2030	15,141,171
Thereafter	<u>1,322,660</u>
	<u>\$ 82,317,105</u>

19. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2025, 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, 2025, total \$4,294,392.

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:

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

	2024	2025
Unpaid claims at beginning of year	\$ 1,785,904	\$ 1,999,961
Incurred claims and claim adjustment expenses	1,123,553	1,641,544
Claim payments	<u>(909,496)</u>	<u>(1,072,214)</u>
Unpaid claims at year end	<u>\$ 1,999,961</u>	<u>\$ 2,569,291</u>

At June 30, 2025, the District had \$3,176,736 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. CHANGES TO OR WITHIN REPORTING ENTITY AND CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

	As Reported June 30, 2024	Changes to or Within Reporting Entity	Change in Accounting Principle	As Restated July 1, 2024
Government-Wide				
Compensated Absences	<u>\$ 26,150,215</u>	<u>\$</u>	<u>\$ 2,722,687</u>	<u>\$ 28,872,902</u>
Net Position (Deficit)	<u>\$(327,077,196)</u>	<u>\$</u>	<u>\$ (2,722,687)</u>	<u>\$(329,799,883)</u>
Governmental Funds				
Major Funds				
School Food Service	\$ 1,902,229	\$ (1,902,229)	\$	\$ -
Debt Service	1,173,541	(1,173,541)		-
Extraclassroom Activities	408,444	(408,444)		-
Scholarships	388,338	(388,338)		-
Nonmajor Funds	<u>-</u>	<u>3,872,552</u>		<u>3,872,552</u>
	<u>\$ 3,872,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,872,552</u>

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

22. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2025 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2026:

Workers' Compensation	\$ 1,650,000
Unemployment	150,000
Retirement Contributions	
Teachers' retirement system	1,800,000
Employees' retirement system	3,800,000
Employee Benefit Accrued Liability	<u>2,600,000</u>
	<u><u>\$ 10,000,000</u></u>

23. 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>
General Fund			
Funding Provided	\$ 13,114,112	\$ 1,500,000	\$ 14,614,112
Interest Earnings	1,436,168	67,139	1,503,307
Use of Reserve	<u> </u>	<u> </u>	<u>-</u>
Balance as of June 30, 2025	<u>\$ 14,550,280</u>	<u>\$ 1,567,139</u>	<u>\$ 16,117,419</u>

24. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$5,275,000 has been appropriated to reduce taxes for the year ending June 30, 2026.

25. TAX ABATEMENTS

The Town of Babylon 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 \$3,243,996.

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 \$147,520.

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 \$1,032,716.

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

26. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Assigned: Unappropriated Fund Balance

General Fund

General support

\$ 461,081

Instruction

76,973

538,054

Capital Projects Fund

Capital projects

5,920,647

\$ 6,458,701

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.

27. 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 November 12, 2025, the District will issue tax anticipation notes in the amount of \$50,000,000, which are due June 24, 2026 and bear interest at stated rates ranging from 3.25% to 4.00%. The District received premiums of \$203,500 with the borrowing to yield an effective interest rate of 2.59%.

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, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 222,235,146	\$ 224,629,418	\$ 224,629,418	\$ -
Other tax items	14,650,000	12,255,728	10,030,541	(2,225,187)
Charges for services	1,315,000	1,326,898	1,147,198	(179,700)
Use of money and property	3,055,775	3,055,775	5,171,463	2,115,688
Sale of property and compensation for loss	157,500	216,632	303,141	86,509
Miscellaneous	1,485,000	1,527,625	2,210,241	682,616
Total Local Sources	242,898,421	243,012,076	243,492,002	479,926
State Sources	42,541,087	42,641,087	41,580,849	(1,060,238)
Medicaid Reimbursement	175,000	175,000	388,447	213,447
Federal Sources			81,728	81,728
Total Revenues	285,614,508	285,828,163	285,543,026	(285,137)
OTHER FINANCING SOURCES				
Operating transfers in	222,500	222,500	222,500	-
Total Revenues and Other Financing Sources	285,837,008	286,050,663	285,765,526	\$ (285,137)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	5,275,000	5,275,000		
Prior Year's Encumbrances	749,391	749,391		
Appropriated Reserves	7,800,000	8,758,014		
Total Appropriated Fund Balance	13,824,391	14,782,405		
Total Revenues, Other Sources, and Appropriated Fund Balance	\$ 299,661,399	\$ 300,833,068		

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, 2025

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 167,830	\$ 172,330	\$ 149,021	\$	\$ 23,309
Central administration	526,449	526,449	442,922		83,527
Finance	1,923,105	1,878,105	1,770,374		107,731
Staff	1,759,283	1,755,619	1,622,848		132,771
Central services	21,432,227	21,595,773	19,395,469	461,081	1,739,223
Special items	2,695,829	2,694,153	2,500,762		193,391
Total General Support	28,504,723	28,622,429	25,881,396	461,081	2,279,952
Instruction					
Administration & improvement	9,476,881	9,504,381	9,101,215	473	402,693
Teaching - regular school	86,477,212	85,877,566	84,494,357	29,123	1,354,086
Programs for students with disabilities	44,661,769	47,834,629	47,176,754	125	657,750
Occupational education	969,500	969,500	969,500		-
Teaching - special schools	366,500	376,244	365,419		10,825
Instructional media	5,456,746	5,690,001	5,566,229	6,129	117,643
Pupil services	13,660,068	13,812,752	13,564,008	41,123	207,621
Total Instruction	161,068,676	164,065,073	161,237,482	76,973	2,750,618
Pupil Transportation	18,922,374	18,750,956	16,994,449		1,756,507
Community Services	111,400	126,487	125,267		1,220
Employee Benefits	80,282,620	78,373,819	76,394,676		1,979,143
Debt Service					
Principal	-	126,536	126,536		-
Interest	1,000,000	987,823	909,372		78,451
Total Expenditures	289,889,793	291,053,123	281,669,178	538,054	8,845,891
OTHER FINANCING USES					
Operating Transfers Out	9,771,606	9,779,945	9,779,945		-
Total Expenditures and Other Uses	\$ 299,661,399	\$ 300,833,068	291,449,123	\$ 538,054	\$ 8,845,891
Net Change in Fund Balance			(5,683,597)		
Fund Balance - Beginning of Year			79,040,211		
Fund Balance - End of Year			\$ 73,356,614		

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.

See Paragraph on Required Supplementary Information Included in Auditor's Report

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

	<i>Teachers' Retirement System</i>									
	<u>2025</u>	<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>
District's proportion of the net pension asset/(liability)	0.573811%	0.576263%	0.599938%	0.603983%	0.582262%	0.576429%	0.582568%	0.594785%	0.601917%	0.599948%
District's proportionate share of the net pension asset/(liability)	\$ 17,120,271	\$ (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
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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.53 %	6.16 %	10.77 %	101.89 %	16.28 %	15.45 %	10.93 %	4.80 %	6.94 %	67.54 %
Plan fiduciary net position as a percentage of the total pension liability	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%
Discount rate	6.95%	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%

	<i>Employees' Retirement System</i>									
	<u>2025</u>	<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>
District's proportion of the net pension asset/(liability)	0.0917032%	0.1018953%	0.0942903%	0.0935107%	0.0938976%	0.0984622%	0.0992998%	0.1058445%	0.0990451%	0.1039717%
District's proportionate share of the net pension asset/(liability)	\$ (15,723,170)	\$ (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)
District's covered payroll	\$ 37,640,117	\$ 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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	41.77 %	42.98 %	56.68 %	23.06 %	0.29 %	74.26 %	21.61 %	11.25 %	29.01 %	57.24 %
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%

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

<i>Teachers' Retirement System</i>										
	<u>2025</u>	<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>
Contractually required contribution	\$ 11,297,521	\$ 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
Contributions in relation to the contractually required contribution	<u>11,297,521</u>	<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>
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	\$ 112,897,472	\$ 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
Contributions as a percentage of covered payroll	10%	10%	10%	10%	10%	9%	11%	10%	12%	13%

<i>Employees' Retirement System</i>										
	<u>2025</u>	<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>
Contractually required contribution	\$ 5,081,209	\$ 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
Contributions in relation to the contractually required contribution	<u>5,081,209</u>	<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>
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	\$ 43,674,500	\$ 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
Contributions as a percentage of covered payroll	12%	12%	11%	15%	15%	14%	13%	15%	14%	17%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 17,964,136	\$ 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	19,404,791	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	(80,682,152)	(20,036,755)	28,571,177	(34,261,706)	3,815,630	25,303,378	(33,473,683)	-
Benefit payments	<u>(15,181,303)</u>	<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	(58,494,528)	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>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>	<u>401,232,311</u>
Total OPEB liability, ending	<u><u>\$ 424,819,435</u></u>	<u><u>\$ 483,313,963</u></u>	<u><u>\$ 478,999,572</u></u>	<u><u>\$ 430,862,433</u></u>	<u><u>\$ 456,853,320</u></u>	<u><u>\$ 432,871,687</u></u>	<u><u>\$ 407,435,495</u></u>	<u><u>\$ 420,764,541</u></u>
Covered employee payroll	\$ 132,832,091	\$ 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	319.82%	363.85%	375.04%	337.35%	372.42%	352.87%	346.59%	357.92%
Discount rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	6.40% to 3.80% by 2073	6.40% to 3.80% by 2073	5.10% to 4.10% over 54 years	5.10% to 4.10% by 2076	6.60% to 4.10% by 2077	6.60% to 4.10% by 2076	7.50% to 4.50% by 2026	7.50% to 4.50% by 2023

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

Note to Required Supplementary Information

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2025

	School Food Service	Debt Service	Extraclassroom Activities	Scholarships	Total Nonmajor Funds
ASSETS					
Cash					
Unrestricted	\$ 1,321,737	\$	\$ 421,782	\$	\$ 1,743,519
Restricted		1,882,568		378,193	2,260,761
Receivables					
Accounts receivable	72,324				72,324
Due from other funds	814,936			17,800	832,736
Due from state and federal	177,282				177,282
Inventories	55,124				55,124
Total Assets	<u>\$ 2,441,403</u>	<u>\$ 1,882,568</u>	<u>\$ 421,782</u>	<u>\$ 395,993</u>	<u>\$ 5,141,746</u>
LIABILITIES					
Payables					
Accounts payable	\$ 153,518	\$	\$	\$	\$ 153,518
Accrued liabilities	39,947				39,947
Due to other funds		890,076			890,076
Due to other governments	530				530
Unearned credits					
Collections in advance	118,576				118,576
Total Liabilities	<u>312,571</u>	<u>890,076</u>	<u>-</u>	<u>-</u>	<u>1,202,647</u>
FUND BALANCES					
Nonspendable: Inventory	55,124				55,124
Restricted:					
Debt		992,492			992,492
Scholarships				395,993	395,993
Assigned: Unappropriated fund balance	2,073,708		421,782		2,495,490
Unassigned: Fund balance					-
Total Fund Balances	<u>2,128,832</u>	<u>992,492</u>	<u>421,782</u>	<u>395,993</u>	<u>3,939,099</u>
Total Liabilities and Fund Balances	<u>\$ 2,441,403</u>	<u>\$ 1,882,568</u>	<u>\$ 421,782</u>	<u>\$ 395,993</u>	<u>\$ 5,141,746</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	School Food Service	Debt Service	Extraclassroom Activities	Scholarships	Nonmajor Governmental Funds
REVENUES					
Use of money and property	\$ 71,714	\$ 58,451	\$	\$ 16,825	\$ 146,990
Miscellaneous	10,376		721,151	47,250	778,777
State sources	1,351,592				1,351,592
Federal sources	1,620,074				1,620,074
Sales	1,075,843				1,075,843
Total Revenues	<u>4,129,599</u>	<u>58,451</u>	<u>721,151</u>	<u>64,075</u>	<u>4,973,276</u>
EXPENDITURES					
General Support		17,000			17,000
Instruction			707,813	56,420	764,233
Employee benefits	457,675				457,675
Debt service					
Principal		3,072,764			3,072,764
Interest		500,342			500,342
Food service program	<u>3,445,321</u>				<u>3,445,321</u>
Total Expenditures	<u>3,902,996</u>	<u>3,590,106</u>	<u>707,813</u>	<u>56,420</u>	<u>8,257,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>226,603</u>	<u>(3,531,655)</u>	<u>13,338</u>	<u>7,655</u>	<u>(3,284,059)</u>
OTHER FINANCING SOURCES AND (USES)					
Operating transfers (in)		3,573,106			3,573,106
Operating transfers (out)		<u>(222,500)</u>			<u>(222,500)</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>3,350,606</u>	<u>-</u>	<u>-</u>	<u>3,350,606</u>
Net Change in Fund Balances	<u>226,603</u>	<u>(181,049)</u>	<u>13,338</u>	<u>7,655</u>	<u>66,547</u>
Fund Balances - Beginning of Year, as Previously Reported	-	-	-	-	-
Change Within Reporting Entity	<u>1,902,229</u>	<u>1,173,541</u>	<u>408,444</u>	<u>388,338</u>	<u>3,872,552</u>
Fund Balances - Beginning of Year, as Restated	<u>1,902,229</u>	<u>1,173,541</u>	<u>408,444</u>	<u>388,338</u>	<u>3,872,552</u>
Fund Balances - End of Year	<u>\$ 2,128,832</u>	<u>\$ 992,492</u>	<u>\$ 421,782</u>	<u>\$ 395,993</u>	<u>\$ 3,939,099</u>

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, 2025

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 298,912,008
Additions:	
Prior year's encumbrances	<u>749,391</u>
Original Budget	299,661,399
Budget revisions	<u>1,171,669</u>
Final Budget	<u><u>\$ 300,833,068</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2025-2026 voter-approved expenditure budget	<u><u>\$ 307,664,521</u></u>
Maximum allowed (4% of 2025-2026 budget)	<u><u>\$ 12,306,580</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 5,813,054	
Unassigned fund balance	<u>12,306,580</u>	
		\$ 18,119,634

Less:		
Appropriated fund balance	5,275,000	
Encumbrances	<u>538,054</u>	
Total adjustments		<u>5,813,054</u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 12,306,580</u></u>
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Actual Percentage	4.00%
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HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For the Year Ended June 30, 2025

PROJECT TITLE	Budget June 30, 2024	Budget June 30, 2025	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2025
			Prior Years	Current Year	Total		Proceeds of Debt	Grant Aid	Local Sources	Total	
2017-18 Projects											
Candlewood - Roof Replacement	\$ 1,121,320	\$ 1,117,487	\$ 1,117,487	\$	\$ 1,117,487	\$ -	\$	\$	\$ 1,117,487	\$ 1,117,487	\$ -
HSE - Orchestra	386,182	376,394	376,394		376,394	-			376,394	376,394	-
Natatorium Renovations - Phase II	652,720	632,719	632,719		632,719	-			632,719	632,719	-
Ostego - Fuel Tank	232,070	267,870	267,870		267,870	-			267,870	267,870	-
2018-19 Projects											
HSE - Window Replacement	2,000,000	1,997,350	1,950,270	876	1,951,146	46,204			1,997,350	1,997,350	46,204
Vanderbilt - Parking Lot Expansion	448,806	448,056	448,056		448,056	-			448,056	448,056	-
HSW - Boiler Replacement	1,935,164	1,667,006	1,667,006		1,667,006	-			1,667,006	1,667,006	-
Transportation - Drainage & Pavement	569,601	537,121	537,121		537,121	-			537,121	537,121	-
2019-20 Projects											
HSE - Chairlift, Ramp, Water Tank	340,142	323,813	323,813		323,813	-			323,813	323,813	-
HSW - Elevator Modernization	287,842	285,662	285,662		285,662	-			285,662	285,662	-
WH - Roof, HW Heater, Cooling Tower	3,642,222	3,642,222	3,459,405	100,000	3,559,405	82,817			3,642,222	3,642,222	82,817
VA - Ceiling Tile Replacement	224,210	267,370	267,370		267,370	-			267,370	267,370	-
PAU - Ceiling Tile Replacement	315,000	309,909	309,909		309,909	-			309,909	309,909	-
2020-21 Projects											
HSW - Turf Field & Bathroom	866,179	865,412	865,412		865,412	-			865,412	865,412	-
SH - Roof Replacement	555,000	545,690	545,690		545,690	-			545,690	545,690	-
Paumonok - Storage Tank & Windows	228,201	258,980	258,980		258,980	-			258,980	258,980	-
2021-22 Projects											
WH - Elevator/Boiler/Air Handling	1,554,200	1,014,578	1,014,578		1,014,578	-			1,014,578	1,014,578	-
HSE - Turf Field & Bathroom Renovations	2,771,976	2,754,045	1,630,055	1,093,666	2,723,721	30,324			2,754,045	2,754,045	30,324
Smart Schools Bond Act	2,717,346	2,717,346	1,092,670	1,014,884	2,107,554	609,792		2,717,346		2,717,346	609,792
2022-23 Projects											
SQ - Ventilation/Air Handling Units	274,499	349,614	102,249	129,872	232,121	117,493			349,614	349,614	117,493
CW - Track/Bathroom Renovations	1,039,101	735,101	67,765	586,546	654,311	80,790			735,101	735,101	80,790
2023-24 Projects											
HSE - Track Replacement	850,000	1,072,397	83,779	1,875	85,654	986,743			1,072,397	1,072,397	986,743
WH - Track/Bathroom Renovations	1,250,000	1,366,263	15,345		15,345	1,350,918			1,366,263	1,366,263	1,350,918
CW - Windows	1,800,000	3,034,376	64,199	62,113	126,312	2,908,064			3,034,376	3,034,376	2,908,064
HSE - Windows	800,000	1,780,442	218,266	1,069,915	1,288,181	492,261			1,780,442	1,780,442	492,261
2024-25 Projects											
HSW - Track Renovations	-	1,900,000	-	14,101	14,101	1,885,899			1,900,000	1,900,000	1,885,899
HSW - Bathroom Renovations	-	1,667,500	-	17,812	17,812	1,649,688			1,667,500	1,667,500	1,649,688
Administration - Interior Lockset	1,678,637	1,928,195	1,407,377	12,232	1,419,609	508,586		500,000	1,428,195	1,928,195	508,586
Leased Assets	520,234	520,234	520,234		520,234	-	520,234			520,234	-
Totals	\$ 29,060,652	\$ 34,383,152	\$ 19,529,681	\$ 4,103,892	\$ 23,633,573	\$ 10,749,579	\$ 520,234	\$ 3,217,346	\$ 30,645,572	\$ 34,383,152	10,749,579
								Smart Schools Bond Act monies not yet received			(2,717,346)
											<u>\$ 8,032,233</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2025

Capital assets, net	<u>\$ 103,632,097</u>
Deduct:	
Capital related liability - accounts payable	383,100
Short-term portion of bonds payable	640,000
Long-term portion of bonds payable	9,770,000
Premium on bonds payable	476,584
Short-term portion of installment purchase debt	707,784
Long-term portion of installment purchase debt	361,581
Short-term portion of lease liabilities	132,349
Long-term portion of lease liabilities	<u>150,248</u>
	<u>12,621,646</u>
Net investment in capital assets	<u><u>\$ 91,010,451</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 aggregate remaining fund information of Half Hollow Hills Central School District ("the District"), as of and for the year ended June 30, 2025, 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 30, 2025. 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 30, 2025.

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

Port Jefferson Station, New York
October 30, 2025



**HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT**
EXTRACURRICULAR ACTIVITIES FUND
FINANCIAL STATEMENT WITH
INDEPENDENT AUDITOR'S REPORT
June 30, 2025

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Dix Hills, New York

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
June 30, 2025

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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 ("the District") extraclassroom activities fund for the year ended June 30, 2025, 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, 2025, 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

Port Jefferson Station, New York
October 30, 2025

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2025

	Cash Balance <u>June 30, 2024</u>	Receipts and <u>Transfers</u>	Disbursements and <u>Transfers</u>	Cash Balance <u>June 30, 2025</u>
CLUBS				
Half Hollow Hills HS East				
Grade 9	\$ 10,049	\$ 69,443	\$ 70,125	\$ 9,367
Grade 10	1,020	17,383	17,922	481
Grade 11	363	462	363	462
Grade 12	462	500	462	500
Academic Team	164			164
African American Society Org.	9			9
Amnesty International	1,227			1,227
Animal Friends	339	525	800	64
Architecture Club	233	70	178	125
Art Honor Society	2,315	1,461	1,988	1,788
Asian American Club	50			50
Astronomy Club	46			46
Best Buddies	7,447		639	6,808
Business Honor Society	3,907			3,907
Chamber Choir	853		518	335
Cheerleading	372			372
Chinese Culture	419	53		472
Constitution Club	3,972			3,972
DECA	842	12,844	13,540	146
Drama	12,042	8,231	6,238	14,035
Dungeons and Dragons	-	225	225	-
English Honor Society	113	800	929	(16)
Fashion Club	732			732
FBLA	1,722	6,075	6,175	1,622
Film Making Club	1,026	443	722	747
French Culture Club	1,231	130	295	1,066
Future Doctors of America	1,376		45	1,331
Future Educators	259		124	135
GSA	737		453	284
HHH East Music	842	151,372	136,022	16,192
Horticulture	676	61	59	678
Ichthus Club	221			221
Indian American Club	111	80	119	72
Interact	1,527	2,778	2,840	1,465
Key Club	2,060	378	289	2,149
Kickline	1,602	6,473	7,377	698
Subtotal Half Hollow Hills HS East	<u>60,366</u>	<u>279,787</u>	<u>268,447</u>	<u>71,706</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2025
(Continued)

	Cash Balance <u>June 30, 2024</u>	Receipts and <u>Transfers</u>	Disbursements and <u>Transfers</u>	Cash Balance <u>June 30, 2025</u>
Half Hollow Hills HS East (cont'd)				
Math Honor Society	\$ 508	\$ 625	\$ 384	\$ 749
Mock Trial	45	55		100
Model UN	364	705	700	369
Musical	35,389	12,711	15,679	32,421
Music Honor Society	2,409	4,135	5,111	1,433
Muslim Student Association	257			257
National Chinese Honor Society	1,356	2,211	2,211	1,356
National French Honor Society	3,514	682	357	3,839
National Honor Society	2,494	2,100	1,553	3,041
National Spanish Honor Society	967	775		1,742
One World Youth	1,264			1,264
Orchestra	2,843	19,394	19,565	2,672
Peer Aids Educators	635			635
Peer Ambassadors	166			166
Pegasus	2,826			2,826
Photo Club	154			154
Rising Stars	134			134
Robotics	1,067		211	856
SADD	1,134	255	100	1,289
School Store	7,628	2,298	8,564	1,362
Science Explorers	7			7
Science Honor Society	3,761	632		4,393
Science Olympiads	61			61
Senior Experience	36			36
Social Studies Honor Society	466	800	849	417
Spanish Club	1,791	300	300	1,791
Speech & Debate	290	19,800	20,047	43
Stage Crew	2,820	590	1,223	2,187
Strong/Lawn	61	1,500	1,500	61
Student Government	394	1,700	2,066	28
Sustainability	952	50		1,002
Thespian	1,999	360		2,359
Thunderbird	58			58
Yearbook	12,474	1,548	11,453	2,569
Total Half Hollow Hills HS East	<u>150,690</u>	<u>353,013</u>	<u>360,320</u>	<u>143,383</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2025
(Continued)

	Cash Balance <u>June 30, 2024</u>	Receipts and <u>Transfers</u>	Disbursements and <u>Transfers</u>	Cash Balance <u>June 30, 2025</u>
Half Hollow Hills HS West				
Grade 9	\$ 1,448	\$ 5,498	\$ 4,136	\$ 2,810
Grade 10	920	680		1,600
Grade 11	2,928	1,131	2,427	1,632
Grade 12	2,616	37,169	39,006	779
AASO	1,131		200	931
Art Club	76			76
Art Honor Society	302	500	535	267
Asian Club	688			688
Athletes Helping Athletes	181			181
Business Honor (Brainstormers)	111			111
Chess Club	350			350
Chinese Culture Club	454	386	200	640
Chorus West	289			289
Colts R Us (Friendship Club)	211			211
Computer Club	159			159
Cooking Club	83	840	728	195
DECA	656	1,042	1,123	575
Environmental Club	1,710			1,710
FBLA	3,098	7,150	6,821	3,427
French Club	66			66
FTC	1,617	3,100	3,516	1,201
Future Educators	370	518	65	823
GSA	-	500		500
Ichthus Club	18			18
Interact	691	957	1,173	475
Italian Club	299			299
Jewish Heritage	260	284		544
Key Club	201	1,498	1,598	101
Kickline	373	1,100	1,251	222
Muslim Student Association	926			926
National Honor Society	4,250	1,676	1,514	4,412
One World	216			216
Peer Aids	55	160	116	99
SADD	620	285	285	620
School Newspaper	36			36
Science Honor Society	1,579	559	452	1,686
Science Olympiad	30	960	654	336
School Store	13,296	756	3,305	10,747
Senior Experience	182	5,817	5,691	308
Subtotal Half Hollow Hills HS West	<u>42,496</u>	<u>72,566</u>	<u>74,796</u>	<u>40,266</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2025
(Continued)

	Cash Balance <u>June 30, 2024</u>	Receipts and Transfers	Disbursements and Transfers	Cash Balance <u>June 30, 2025</u>
Half Hollow Hills HS West (cont'd)				
Spanish Honor Society	\$ 2,696	\$ 338	\$ -	\$ 3,034
Step	117			117
Student Senate	1,494	2,073	1,881	1,686
Symphonic Band	-	370		370
TAP	663	185		848
Theatre West	12,214	20,252	28,585	3,881
Tri M	1,578	76,597	71,967	6,208
Varsity Club	1			1
Westhespians	329	105	100	334
Wise	552			552
Womens Empower	286			286
Yearbook	<u>33,901</u>	<u>9,675</u>	<u>1,000</u>	<u>42,576</u>
Total Half Hollow Hills HS West	<u>96,327</u>	<u>182,161</u>	<u>178,329</u>	<u>100,159</u>
Candlewood Middle School				
Chamber Orchestra	1,038	6,018	5,548	1,508
Dance Line	293	550	550	293
Dramatic Arts	10,309	20,460	9,478	21,291
Eighth Grade	23,687	19,860	23,042	20,505
National Junior Honor Society	5,456		34	5,422
Service Club	6,922	3,545	3,620	6,847
Student Council	14,169	6,411	5,977	14,603
Yearbook	<u>24,070</u>	<u>3,512</u>	<u>7,368</u>	<u>20,214</u>
Total Candlewood Middle School	<u>85,944</u>	<u>60,356</u>	<u>55,617</u>	<u>90,683</u>
West Hollow Middle School				
Dramatic Arts	50,317	36,302	26,875	59,744
Environmental	625			625
Hi-Tech	10			10
National Junior Honor Society	278			278
SADD	33			33
School Store	3,300	16,484	15,984	3,800
Student Council	16,013	39,863	43,190	12,686
Tri-M	457	6,829	5,760	1,526
Yearbook	<u>4,450</u>	<u>26,142</u>	<u>21,737</u>	<u>8,855</u>
Total West Hollow Middle School	<u>75,483</u>	<u>125,620</u>	<u>113,546</u>	<u>87,557</u>
Grand Total	<u><u>\$ 408,444</u></u>	<u><u>\$ 721,150</u></u>	<u><u>\$ 707,812</u></u>	<u><u>\$ 421,782</u></u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITIES FUND
NOTES TO FINANCIAL STATEMENT
June 30, 2025

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 30, 2025

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 ("the District") as of and for the year ended June 30, 2025, 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 efficiencies. This memorandum updates those prior year's findings and suggestions concerning those matters. This letter does not affect our report dated October 30, 2025, 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
Port Jefferson Station, New York

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 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.

Current Year Update: Corrected. The District streamlined the online verification process and ensured all eligible costs were verified and reimbursed. This comment is now closed.

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 Fund. These guidelines outline procedures for organizing activities, controlling receipts and disbursements, and recording and reporting transactions.

During our prior year audit, we noted the following:

High School

- In our sample of ten (10) cash receipts, we found three instances where the receipt forms lacked evidence of involvement from the faculty advisor or student treasurer.
- In our sample of ten (10) cash disbursements, we observed:
 - One instance in which adequate supporting documentation was not provided for the disbursement.
 - One instance lacked 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.

Half Hollow Hills Central School District

For the Year Ended June 30, 2025

During our current year audit, based on our sample testing of the extraclassroom activities clubs, we noted the following:

High School

- In our sample of ten (10) cash disbursements tested, we noted three (3) instances in which sales tax was not paid for taxable items.

Middle School

- In our sample of ten (10) cash disbursements, we observed the following:
 - One (1) instance where the reimbursement to a faculty advisor was \$14 higher than the amount supported by the receipts.
 - One (1) instance where the disbursement form lacked the student activity treasurer's signature to indicate involvement.
 - One (1) instance where there was no evidence of sales tax being paid on a purchase.

We continue to 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 Fund" manual, to address and correct 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 prior 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.

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

Current Year Update: Corrected. The District reviewed the projects that previously reflected negative fund balances and corrected these through appropriate allocations within the approved project scopes. This comment is now closed.

Half Hollow Hills Central School District

For the Year Ended June 30, 2025

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 recommended 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) and start depreciating those items.

Current Year Update: Corrected. The District completed a review of construction in progress and added the projects to the proper capital asset classifications. This comment is now closed.