HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS

June 30, 2026

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2026, 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, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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, notes to required supplementary information – budgetary comparison, 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 15 and 56 through 61, 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 62 and 63 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 64 through 66 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 12, 2026, 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.

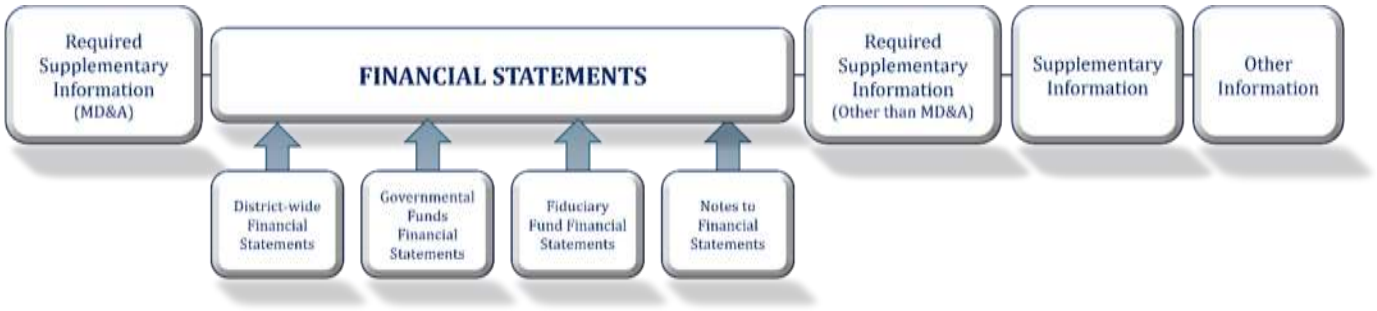
Cullen & Danowski, LLP

Port Jefferson Station, New York
October 12, 2026

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, 2026 in comparison with the year ended June 30, 2025, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, required supplementary information, (RSI), supplementary information, and other information, which immediately follow this section.

1. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts –RSI, including both management's discussion and analysis (MD&A) and other than MD&A, the financial statements, supplementary information, and other information. The financial statements consist of District-wide financial statements, governmental funds financial statements, fiduciary funds 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. Funds Financial Statements

The funds 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.

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 funds 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 funds 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.

2. FINANCIAL SUMMARY AND DETAILED ANALYSIS

A. Net Position

The net position summary has been reclassified from the prior year's presentation to align with the current year reporting format. The District's total net position increased by $3,139,792 during the year ended June 30, 2026, to a deficit of $327,732,883. The decrease in the total deficit in net position was due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position, follows:

	2026	2025	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 148,869,437	$ 134,258,698	$ 14,610,739	10.88 %
Capital Assets, Net	104,443,575	103,632,097	811,478	0.78 %
Total Assets	253,313,012	237,890,795	15,422,217	6.48 %
Deferred Outflows of Resources	97,947,785	71,348,645	26,599,140	37.28 %
Liabilities				
Current and Other Liabilities	30,986,991	27,544,962	3,442,029	12.50 %
Long-Term Liabilities	530,838,567	483,066,545	47,772,022	9.89 %
Total Liabilities	561,825,558	510,611,507	51,214,051	10.03 %
Deferred Inflows of Resources	117,168,122	129,500,608	(12,332,486)	(9.52)%
Net Position (Deficit)				
Net Investment in Capital Assets	94,347,867	91,010,451	3,337,416	3.67 %
Restricted	82,673,680	73,745,736	8,927,944	12.11 %
Unrestricted (Deficit)	(504,754,430)	(495,628,862)	(9,125,568)	1.84 %
Total Net Position (Deficit)	$ (327,732,883)	$ (330,872,675)	$ 3,139,792	(0.95)%

The increase in current and other assets is primarily related to the District's share of the New York State Teachers' Retirement System's (TRS) net pension assets – proportionate share, at the measurement date of the respective year.

The increase in deferred outflows of resources of $26,599,140 is attributed to changes in actuarially determined pension and OPEB amounts. These changes primarily reflect actuarial experience, assumptions and differences between projected and actual investment earnings.

The change in long-term liabilities is primarily related to the following:

- Increase in the total OPEB liability of $61,513,251 based on the actuarial valuation of the plan.
- Decrease of $10,565,241 in the District's proportionate share of the New York State and Local Employees' Retirement System's (ERS) net pension liability at the measurement date, reflecting changes in the District's share of the ERS' overall unfunded pension obligation.
- Repayments of $1,575,000 in current year bond indebtedness and $707,784 in installment purchasing debt.

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

B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements school tax relief (STAR) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2026 and 2025, is as follows:

	2026	2025	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 2,390,212	$ 2,045,811	$ 344,401	16.83 %
Operating Grants & Contributions	10,561,525	10,353,372	208,153	2.01 %
Capital Grants	2,039,711	-	2,039,711	N/A
General Revenues				
Property Taxes and STAR	236,696,208	230,235,727	6,460,481	2.81 %
State Sources	41,628,887	41,580,849	48,038	0.12 %
Other	12,399,672	13,365,665	(965,993)	(7.23)%
Total Revenues	305,716,215	297,581,424	8,134,791	2.73 %
Expenses				
General Support	32,681,061	32,216,128	464,933	1.44 %
Instruction	244,162,123	241,482,964	2,679,159	1.11 %
Pupil Transportation	20,103,642	19,595,270	508,372	2.59 %
Community Services	204,485	185,542	18,943	10.21 %
Debt Service - Interest	1,147,406	1,344,091	(196,685)	(14.63)%
Food Service Program	4,277,706	3,830,221	447,485	11.68 %
Total Expenses	302,576,423	298,654,216	3,922,207	1.31 %
Change in Net Position	$ 3,139,792	$ (1,072,792)	$ 4,212,584	392.67 %

The change in net position represents the District's operating profit or loss using the economic resources measurement focus and the accrual basis of accounting. The District's net position increased by $3,139,792 for the year ended June 30, 2026, compared to a decrease of $1,072,792 for the year ended June 30, 2025.

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

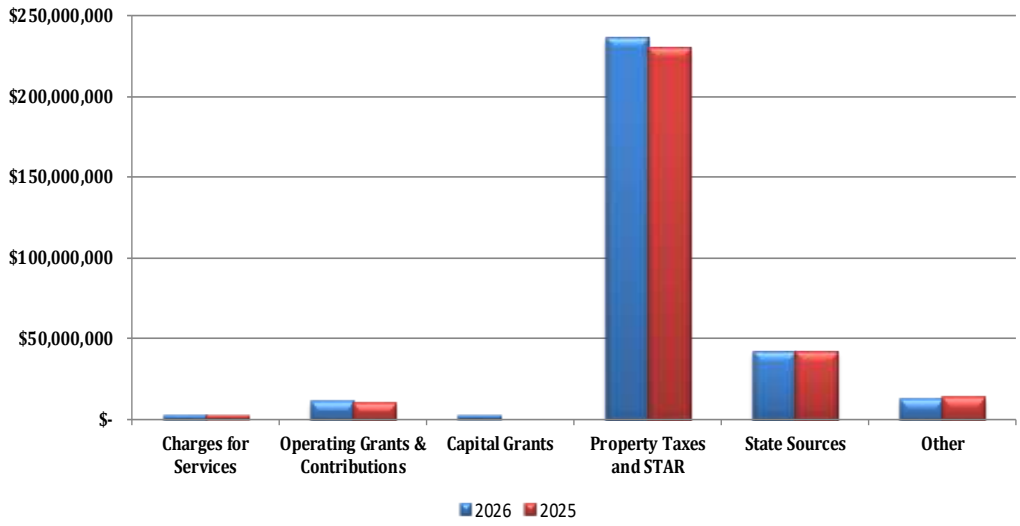
- Combined real property taxes and STAR were increased to fund additional appropriations in the voter-approved 2025-2026 budget.
- The capital grant increase is attributable to capital grants received related to the capital projects funded by the Smart Schools Bond Act.
- Other revenues decrease is related to a decrease in interest earnings on cash balances due to declining interest rates.

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

- General support and instruction largely increased based on contractual costs and the impact of allocations of the net change in actuarially determined expenses for TRS, ERS, and OPEB costs.
- Pupil transportation expenses increased due to a rise in contractual transportation costs.
- Food service program costs increased due to higher salaries and benefit costs, plus food cost increases.

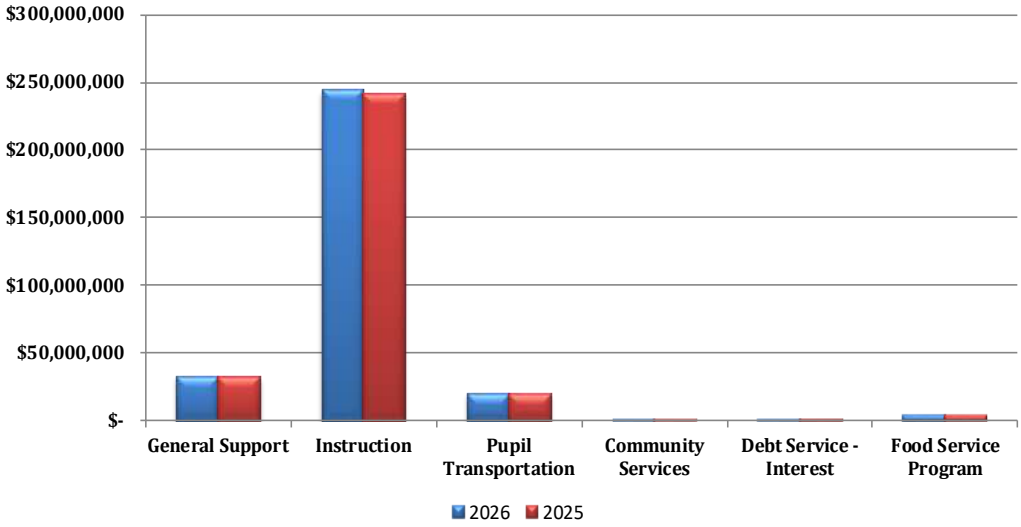
As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 77.4% of the total for the years 2026 and 2025). Instruction expense is the largest category of expenses incurred (i.e., 80.7% of the total for the years 2026 and 2025).

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



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes and STAR	State Sources	Other
2026	0.8%	3.5%	0.7%	77.4%	13.6%	4.0%
2025	0.7%	3.5%	0.0%	77.4%	14.0%	4.4%

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
2026	10.8%	80.7%	6.6%	0.1%	0.4%	1.4%
2025	10.8%	80.7%	6.6%	0.1%	0.5%	1.3%

3. DETAILED ANALYSIS OF GOVERNMENTAL FUNDS

At June 30, 2026, the District's governmental funds reported a combined fund balance of $81,104,507, which is a decrease of $4,223,439 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:

	2026	2025	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	$ 2,203,700	$ 3,176,736	$ (973,036)	(30.63)%
Unemployment insurance	1,326,900	3,138,027	(1,811,127)	(57.72)%
Retirement contribution				
Teachers' retirement system	1,921,775	931,593	990,182	106.29 %
Employees' retirement system	12,183,199	16,343,622	(4,160,423)	(25.46)%
Property loss	1,733,702	1,678,293	55,409	3.30 %
Liability	579,216	570,385	8,831	1.55 %
Employee benefit accrued liability	11,939,290	13,280,905	(1,341,615)	(10.10)%
Capital	3,149,528	16,117,419	(12,967,891)	(80.46)%
Assigned:				
Appropriated fund balance	7,000,000	5,275,000	1,725,000	32.70 %
Unappropriated fund balance	1,139,684	538,054	601,630	111.82 %
Unassigned: Fund balance	12,718,704	12,306,580	412,124	3.35 %
	55,895,698	73,356,614	(17,460,916)	(23.80)%
Capital Projects Fund				
Restricted: Capital	13,500,000	-	13,500,000	N/A
Assigned: Unappropriated fund balance	8,476,427	8,032,233	444,194	5.53 %
	21,976,427	8,032,233	13,944,194	173.60 %
Nonmajor Funds				
Nonspendable	63,475	55,124	8,351	15.15 %
Restricted	438,664	1,388,485	(949,821)	(68.41)%
Assigned	2,730,243	2,495,490	234,753	9.41 %
	3,232,382	3,939,099	(706,717)	(17.94)%
Total Fund Balance	$ 81,104,507	$ 85,327,946	$ (4,223,439)	(4.95)%

A. General Fund

Fund Balance

The general fund – fund balance is a net decrease of $17,460,916, compared to a decrease of $5,683,597 in 2025. This resulted from expenditures and other financing uses in excess of revenues and other financing sources.

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

	2026	2025	Increase (Decrease)	Percentage Change
Real Property Taxes & STAR	$ 236,696,208	$ 230,235,727	$ 6,460,481	2.81 %
Other Local Sources	12,766,716	13,256,275	(489,559)	(3.69)%
State Sources	41,618,887	41,580,849	38,038	0.09 %
Medicaid Reimbursement	546,542	388,447	158,095	40.70 %
Federal Sources	-	81,728	(81,728)	(100.00)%
Other Financing Sources	78,191	222,500	(144,309)	(64.86)%
	$ 291,706,544	$ 285,765,526	$ 5,941,018	2.08 %

See MD&A "Financial Summary and Detailed Analysis" section for primary differences that were previously detailed.

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

	2026	2025	Increase (Decrease)	Percentage Change
General Support	$ 26,121,883	$ 25,881,396	$ 240,487	0.93 %
Instruction	163,747,051	161,237,482	2,509,569	1.56 %
Pupil Transportation	17,873,294	16,994,449	878,845	5.17 %
Community Services	138,038	125,267	12,771	10.20 %
Employee Benefits	79,677,476	76,394,676	3,282,800	4.30 %
Debt Service	940,941	1,035,908	(94,967)	(9.17)%
Other Financing Uses	20,668,777	9,779,945	10,888,832	111.34 %
	$ 309,167,460	$ 291,449,123	$ 17,718,337	6.08 %

- Other financing uses included in the May 2026 voter-approved expenditure of $13,500,000 from the capital reserve to the capital projects fund, which was offset by larger capital project expenditures.
- 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.
- Instruction increased due to routine salary and step level pay increases.
- Pupil transportation increase is largely attributable to an increase in costs associated with contract transportation.

Restricted Fund Balance

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

	Balance June 30, 2025	Use of Reserves	Interest	Transfers	Funding	Balance June 30, 2026
Workers' compensation	$ 3,176,736	$ (1,077,914)	$ 104,878	$	$	$ 2,203,700
Unemployment insurance	3,138,027	(55,302)	44,175	(1,800,000)		1,326,900
Retirement contribution						
TRS	931,593	(900,000)	90,182	1,800,000		1,921,775
ERS	16,343,622	(4,700,000)	539,577			12,183,199
Property loss	1,678,293		55,409			1,733,702
Liability	570,385	(10,000)	18,831			579,216
EBALR	13,280,905	(2,600,000)	438,462		819,923	11,939,290
Capital	16,117,419	(13,500,000)	532,109			3,149,528
	$ 55,236,980	$ (22,843,216)	$ 1,823,623	$	$ 819,923	$ 35,037,310

The District's net use of reserves appropriated to fund the 2025–2026 budget totaled $9,333,216.

Additionally, $1,800,000 was a Board-approved transferred from the Unemployment insurance reserve to the retirement contribution (TRS) reserve to fund future contributions to the TRS. The District also utilized $13,500,000 from the voter-approved capital reserve (roof replacement) to finance roof reconstruction at High School East and $10,000 from the liability reserve during the fiscal year. These reserve appropriations, transfers, and expenditures reflect the District's planned use of accumulated funds to support annual operating needs, manage future retirement costs, address liabilities, and finance necessary capital improvements.

Additional detail regarding capital reserves can be found in the "Fund Balance – Governmental Funds" Note.

Change in Unassigned Fund Balance

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, to expenditures and other financing uses for the year compared to budget, follows:

Opening, Unassigned Fund Balance	$ 12,306,580
Revenues and Other Financing Sources Under Budget	(837,252)
Expenditures, Other Financing Uses, and Encumbrances Under Budget	11,559,706
Unused Appropriated Reserves	(666,784)
Allocation to Reserves	(2,643,546)
Appropriated to the June 30, 2027 Budget	(7,000,000)
Closing, Unassigned Fund Balance	$ 12,718,704

B. Special Aid Fund

Revenues and other financing sources, and expenditures in the special aid fund were $7,776,252 for 2025-2026, a decrease of $360,815 from the prior year. The decrease is the result of the District recognizing less in state and federal grant revenues.

C. Capital Projects Fund

The capital projects fund – fund balance net increase is mainly the result of the May 2026 voter-apporved expenditure of a capital reserve and the budgeted operating transfer in from the general fund, offset by expenditures related to ongoing capital improvement projects.

4. SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

A. Capital Assets and Intangible Assets

At June 30, 2026, the District had invested in a broad range of capital assets and intangible assets, as indicated in the table below. The net increase in capital assets and intangible assets is due to capital outlays and other additions of $7,860,942 in excess of depreciation/amortization expense of $7,049,464 recorded for the year ended June 30, 2026. A summary of the District's capital assets, net of accumulated depreciation/amortization at June 30, 2026 and 2025, is as follows:

	2026	2025	Increase (Decrease)
Land	$ 2,629,860	$ 2,629,860	$ -
Construction in progress	7,111,659	8,113,152	(1,001,493)
Buildings and improvements	84,495,220	83,483,708	1,011,512
Site improvements	2,629,088	1,748,747	880,341
Vehicles	3,185,158	2,915,668	269,490
Furniture and equipment	4,262,532	4,480,845	(218,313)
Leased equipment	130,058	260,117	(130,059)
Capital assets, net	$ 104,443,575	$ 103,632,097	$ 811,478

B. Debt Administration

At June 30, 2026, the District had combined total debt of $9,346,829. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at June 30, 2026 and 2025, is as follows:

	Issue/ Commencement Date	Interest Rate	2026	2025	Increase (Decrease)
Bonds Payable					
	2/6/2019	1.55% - 5.00%	$ 8,835,000	$ 10,410,000	$ (1,575,000)
Installment Purchase Debt					
	12/7/2010	2.89%	$ 361,581	$ 1,069,365	$ (707,784)
Lease Liabilities			$ 150,248	$ 282,597	$ (132,349)

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, 2026 did not exceed the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, total OPEB liability, and net pension liabilities – proportionate share, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2026 and 2025, is as follows:

	2026	2025	Increase (Decrease)
Compensated absences	$ 27,317,200	$ 27,716,103	$ (398,903)
Workers' compensation liabilities	2,236,638	2,569,291	(332,653)
Total OPEB liability	486,332,686	424,819,435	61,513,251
Net Pension liabilities - proportionate share	5,157,929	$ 15,723,170	(10,565,241)
	$ 521,044,453	$ 470,827,999	$ 50,216,454

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, was approved by the voters on May 19, 2026.

The District decreased budgeted revenues other than property taxes and STAR from the prior year's estimate, which is principally due to an estimated decrease in state aid and other revenues. The assigned, appropriated fund balance applied to the budget increased over the previous year. Additionally, the District has elected to increase the amount of appropriated reserves towards the next year's budget. A property tax increase was needed to meet the funding shortfall and cover the increase in appropriations. The following is a summary of these changes:

	2026	2027	Change
Property Taxes & STAR	$ 236,595,556	$ 244,435,820	$ 7,840,264
State Aid	41,789,615	40,929,869	(859,746)
Appropriated Fund Balance	5,275,000	7,000,000	1,725,000
Appropriated Reserves	10,000,000	12,700,000	2,700,000
Other Revenues	14,004,350	12,901,903	(1,102,447)
Adopted Budget	**$ 307,664,521**	**$317,967,592**	**$ 10,303,071**
Change in Budget	*2.93%*	*3.35%*	
Change in Tax Levy	**2.76%**	**3.31%**	
Tax Levy Limit	$ 236,595,556	$ 244,435,820	
Over/(Under) limit	-	-	
Property tax cap	**2.76%**	**3.31%**	

B. Tax Cap

New York State law limits the annual increase in the property tax levy of school districts to the lesser of 2% plus additional statutory adjustments to the tax levy limit, 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 a budget to the voters, which requires a tax levy that exceeds the statutory limit; however, that budget must be approved by at least 60% of the votes cast. The District's 2026-2027 property tax increase complies with the New York State tax cap regulations.

C. Future Property Tax Levy Considerations – LIPA Settlement

A recent settlement between the Town of Huntington and the Long Island Power Authority (LIPA) provides for the transition of certain LIPA properties from the taxable assessment rolls to scheduled payments in lieu of taxes (PILOTs). Under New York State's property tax cap formula, PILOT revenues are deducted in determining the District's allowable property tax levy, thereby reducing the amount the District may raise through property taxes. As a result of the settlement, the District's previously projected property tax levy for the 2026–2027 fiscal year was reduced by $3,700,000. This reduction in the property tax levy is expected to be offset by additional PILOT revenues.

The District encompasses properties within both the Town of Huntington and the Town of Babylon. While the Town of Huntington has reached a settlement with LIPA, the Town of Babylon has not entered into a similar agreement as of the date of this report. The transition from property tax payments to PILOT revenues presents uncertainty regarding the amount and duration of revenues the District will ultimately receive. More significantly, the change reduces the property tax levy base used in calculating the District's future allowable levy growth under New York State's property tax cap formula. This creates a long-term, compounding constraint on the District's ability to generate property tax revenue, as future levy growth is calculated from a reduced base. Any future settlement involving the Town of Babylon could further affect the District's property tax levy and long-term revenue capacity. Management will continue to evaluate the financial implications of these arrangements as part of its annual budget development and long-term financial planning.

D. 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.

E. State Budget Enacted

- Tier 6 Reform: Effective October 1, 2026, New York State and Local Retirement System (NYSLRS) Tier 6 members making over $45,000 will see a reduction in retirement contribution rates. Additionally, the overtime ceiling used in calculating final average salary will increase to $30,000 starting January 1, 2027. The reform package excludes overtime from contribution rates calculations through March 31, 2028.

- Education Aid: Total increases include a guaranteed 2% in Foundation Aid to every district. Also, the mandate to purchase electric buses was pushed back from 2027 to 2032.

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 for Business
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, 2026

ASSETS	
Cash	
Unrestricted	$ 50,514,024
Restricted	48,975,974
Receivables	
Accounts receivable	312,776
Due from state and federal	9,742,636
Due from other governments	2,947,175
Lease receivable	2,615,671
Inventories	63,475
Capital assets:	
Not being depreciated	9,741,519
Being depreciated/amortized, net of accumulated depreciation/amortization	94,702,056
Net pension assets - proportionate share	33,697,706
Total Assets	253,313,012
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	50,534,046
Other postemployment benefits	47,413,739
Total Deferred Outflows of Resources	97,947,785
LIABILITIES	
Payables	
Accounts payable	9,440,571
Accrued liabilities	1,671,766
Due to other governments	63,410
Due to teachers' retirement system	11,796,524
Due to employees' retirement system	1,903,943
Compensated absences payable	2,796,972
Other liabilities	3,009,894
Unearned credits - Collections in advance	303,911
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	700,674
Installment purchase debt payable	361,581
Lease liabilities	138,429
Compensated absences payable	3,765,463
Workers' compensation liabilities	900,000
Total other postemployment benefits liability	17,588,000
Due and payable after one year	
Bonds payable, net	8,581,611
Lease liabilities	11,819
Compensated absences payable	23,551,737
Workers' compensation liabilities	1,336,638
Total other postemployment benefits liability	468,744,686
Net pension liabilities - proportionate share	5,157,929
Total Liabilities	561,825,558
DEFERRED INFLOWS OF RESOURCES	
Lease	2,615,671
Pensions	36,946,179
Other postemployment benefits	77,606,272
Total Deferred Inflows of Resources	117,168,122
NET POSITION (DEFICIT)	
Net investment in capital assets	94,347,867
Restricted:	
Governmental	48,975,974
Pension	33,697,706
	82,673,680
Unrestricted (Deficit)	(504,754,430)
Total Net Position (Deficit)	$ (327,732,883)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ 32,681,061	$	$	$	$ (32,681,061)
Instruction	244,162,123	1,674,638	6,876,531	2,039,711	(233,571,243)
Pupil transportation	20,103,642				(20,103,642)
Community services	204,485				(204,485)
Debt service - interest	1,147,406				(1,147,406)
Food service program	4,277,706	715,574	3,684,994		122,862
Total Functions and Programs	$ 302,576,423	$ 2,390,212	$ 10,561,525	$ 2,039,711	(287,584,975)
GENERAL REVENUES					
Real property taxes					231,720,365
Other tax items					9,477,559
Use of money and property					4,390,284
Sale of property and compensation for loss					124,633
Miscellaneous					2,836,497
State sources					41,628,887
Medicaid reimbursement					546,542
Total General Revenues					290,724,767
Change in Net Position					3,139,792
Total Net Position (Deficit) - Beginning of Year					(330,872,675)
Total Net Position (Deficit) - End of Year					$ (327,732,883)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2026

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	$ 44,397,487	$ 126,711	$ 4,503,611	$ 1,486,215	$ 50,514,024
Restricted	48,537,310			438,664	48,975,974
Receivables					
Accounts receivable	256,341			56,435	312,776
Due from other funds	10,860,091	35,952	21,373,670	2,980,732	35,250,445
Due from state and federal	3,345,153	5,911,557		485,926	9,742,636
Due from other governments	2,947,175				2,947,175
Lease receivable	2,615,671				2,615,671
Inventories				63,475	63,475
Total Assets	$ 112,959,228	$ 6,074,220	$ 25,877,281	$ 5,511,447	$ 150,422,176
LIABILITIES					
Payables					
Accounts payable	$ 9,029,650	$ 90,646	$ 301,594	$ 18,681	$ 9,440,571
Accrued liabilities	1,616,224	1,193		36,185	1,653,602
Due to other funds	23,750,417	5,769,265	3,599,260	2,131,503	35,250,445
Due to other governments	61,509			1,901	63,410
Due to teachers' retirement system	11,796,524				11,796,524
Due to employees' retirement system	1,903,943				1,903,943
Compensated absences payable	2,796,972				2,796,972
Other liabilities	3,009,894				3,009,894
Unearned credits					
Collections in advance		213,116		90,795	303,911
Total Liabilities	53,965,133	6,074,220	3,900,854	2,279,065	66,219,272
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	482,726				482,726
Lease	2,615,671				2,615,671
Total Deferred Inflows of Resources	3,098,397	-	-	-	3,098,397
FUND BALANCES					
Nonspendable				63,475	63,475
Restricted	35,037,310		13,500,000	438,664	48,975,974
Assigned	8,139,684		8,476,427	2,730,243	19,346,354
Unassigned	12,718,704				12,718,704
Total Fund Balances	55,895,698	-	21,976,427	3,232,382	81,104,507
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 112,959,228	$ 6,074,220	$ 25,877,281	$ 5,511,447	$ 150,422,176

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the District-wide Statement of Net Position
June 30, 2026

Total Governmental Fund Balances		$ 81,104,507
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building, or acquiring capital assets, and of obtaining the right-to-use intangible 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	$ 301,305,969	
Less: Accumulated depreciation/amortization	(196,862,394)	
		104,443,575
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 assets and liabilities and are not reported in the funds.		
Deferred outflows of resources	50,534,046	
Net pension asset - teachers' retirement system	33,697,706	
Net pension liability - employees' retirement system	(5,157,929)	
Deferred inflows of resources	(36,946,179)	
		42,127,644
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	47,413,739	
Total other postemployment benefits liability	(486,332,686)	
Deferred inflows of resources	(77,606,272)	
		(516,525,219)
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.		482,726
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	(18,164)	
Bonds payable, net	(9,282,285)	
Installment purchase debt payable	(361,581)	
Lease liabilities	(150,248)	
Compensated absences payable	(27,317,200)	
Workers' compensation liabilities	(2,236,638)	
		(39,366,116)
Total Net Position (Deficit)		$ (327,732,883)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2026

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real property taxes	$ 231,720,365	$	$	$	$ 231,720,365
Other tax items	9,477,559				9,477,559
Charges for services	1,627,318				1,627,318
Use of money and property	4,286,977			103,307	4,390,284
Sale of property and compensation for loss	124,633				124,633
Miscellaneous	2,226,072	2,923		757,701	2,986,696
State sources	41,618,887	4,051,155	2,039,711	1,929,848	49,639,601
Medicaid reimbursement	546,542				546,542
Federal sources		2,780,003		1,755,146	4,535,149
Sales				610,748	610,748
Total Revenues	291,628,353	6,834,081	2,039,711	5,156,750	305,658,895
EXPENDITURES					
General support	26,121,883				26,121,883
Instruction	163,747,051	7,124,872		614,202	171,486,125
Pupil transportation	17,873,294	651,380			18,524,674
Community services	138,038				138,038
Employee benefits	79,677,476			588,270	80,265,746
Debt service					
Principal	132,349			2,282,784	2,415,133
Interest	808,592			378,822	1,187,414
Food service program				3,647,804	3,647,804
Capital outlay			6,095,517		6,095,517
Total Expenditures	288,498,683	7,776,252	6,095,517	7,511,882	309,882,334
Excess (Deficiency) of Revenues Over Expenditures	3,129,670	(942,171)	(4,055,806)	(2,355,132)	(4,223,439)
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	78,191	942,171	18,000,000	1,726,606	20,746,968
Operating transfers (out)	(20,668,777)			(78,191)	(20,746,968)
Total Other Financing Sources and (Uses)	(20,590,586)	942,171	18,000,000	1,648,415	-
Net Change in Fund Balances	(17,460,916)	-	13,944,194	(706,717)	(4,223,439)
Fund Balances - Beginning of Year	73,356,614	-	8,032,233	3,939,099	85,327,946
Fund Balances - End of Year	$ 55,895,698	$ -	$ 21,976,427	$ 3,232,382	$ 81,104,507

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, 2026

Net Change in Fund Balances			$ (4,223,439)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Long-Term Revenue and Expense Differences			
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).	$ 57,320		
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	398,903		
Decrease in workers' compensation liabilities	332,653		
		788,876	
Capital Related Differences			
Capital outlays to purchase or build capital assets, or the right-to-use intangible assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation/ amortization expense in the Statement of Activities. This is the amount by which capital outlays and other additions exceeded depreciation/amortization expense in the period.			
Capital outlays and other additions	7,860,942		
Depreciation/amortization expense	(7,049,464)		
		811,478	
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.	29,299		
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	1,575,000		
Installment purchase debt	707,784		
Lease liabilities	132,349		
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, 2025 to June 30, 2026.	10,709		
		2,455,141	
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	12,631,432		
Employees' retirement system	64,983		
Other postemployment benefits	(9,388,679)		
		3,307,736	
Change in Net Position of Governmental Activities			$ 3,139,792

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2026

	Custodial
ASSETS	
Cash and cash equivalents	$ -
NET POSITION	
Restricted for individuals, organizations, and other governments	$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2026

	Custodial
ADDITIONS	
Real property taxes and PILOT collected for the Library	$ 9,782,235
DEDUCTIONS	
Disbursements of real property taxes and PILOT to the Library	9,782,235
Change in Net Position	-
Net Position - Beginning of Year	
Net Position - End of Year	$ -

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Half Hollow Hills Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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.

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 eliminate 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.

Funds Financial Statements

The funds 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 funds 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.

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. Charges for services are recognized in the year the services are provided.

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

term debt, workers' compensation, 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 ("the Towns") and remitted to the District from December to June.

The District also levies the real property taxes for the Half Hollow Hills Community library ("the Library"), which are collected by the Town and included in the amount remitted to the District. The District remits the Library's share of the tax levy to the Library in twelve installments. These pass through amounts are not included in the District's real property tax revenue; however, these amounts are recorded in the custodial fund.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County("the County") in June.

School Tax Relief (STAR) Aid

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

F. Payments in Lieu of Taxes (PILOT)

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

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District's other tax items revenue; however, the amounts are recorded within the custodial fund.

G. Restricted Resources

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

H. Interfund Transactions

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

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 U.S. 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 and Cash Equivalents

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 governmental funds 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.

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:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$ 500	50 years
Site improvements	500	20 years
Vehicles	500	5-20 years
Furniture and equipment	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.

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 governmental funds 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).

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 governmental funds 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 funds 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 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.

Governmental Funds Statements

The governmental funds 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.

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. These reserves are accounted for in the general fund and capital projects fund.

Restricted for Debt

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of debt, and premium and accrued interest are recorded in the 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. ADOPTION OF GASB STATEMENTS

For the year ended June 30, 2026, the District adopted the following GASB Statements, which had no material effect on reported financial position or results:

GASB Statement No. 103, *Financial Reporting Model Improvements,* 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, *Disclosure of Certain Capital Assets,* 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.

3. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set U.S. 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 this pronouncement and implement it, as applicable, if material.

Effective for the Year Ending	**Statement**
June 30, 2027	GASB No. 105 – *Subsequent Events*

GASB Statement No. 105 was issued to improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and non-recognized events, and by specifying the information items that are required to be disclosed about subsequent events.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on the governmental funds statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the acquisition or financing of capital items in the governmental funds 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 governmental funds 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:

Unanticipated costs funded by:		
Maintenance of Plant funded by miscellaneous revenues	$	71,025
Instructional contractual costs funded by miscellaneous revenues		40,000
Bus repairs funded by insurance recoveries		6,012
Capital Projects funded by voter-approved use of the capital reserve		13,500,000
Insurance costs funded by board approved use of the liability reserve		10,000
Instructional materials funded by donations		16,105
Instructional costs funded by student fees		21,133
	$	13,664,275

Budgets are adopted annually on a basis consistent with U.S. 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, 2026, the governmental activities reported an unrestricted net position deficit of $504,754,430. 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.

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, except as discussed in the note below. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

Investment pool:

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

The District's investments in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2026, was 48 days and the weighted average life (WAL) was 77 days. Investments of $20,042,505 are included in general fund cash.

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The lead participant of NYCLASS is the Village of Rhinebeck. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

7. PARTICIPATION IN BOCES

During the year ended June 30, 2026, the District was billed $13,403,617 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,169,635. 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, 2026, consisted of:

General Fund	
New York State - excess cost aid	$ 1,078,667
BOCES aid	2,169,635
Medicaid	96,851
	3,345,153
Special Aid Fund	
State and federal grants	5,911,557
Nonmajor Funds	
State and federal food service program reimbursement	485,926
	$ 9,742,636

District management expects these amounts to be fully collectible.

9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2026, consists of:

General Fund	
PILOT payments	$ 1,050,150
BOCES refund	194,871
BOCES - Arts in Education	85,611
Tuition from other districts	1,616,543
	$ 2,947,175

District management expects these amounts to be fully collectible.

10. 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, 2026, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using various implicit interest rates were $2,615,671. During the current fiscal year, the District extended various lease agreements. At June 30, 2026, the District recognized lease revenue and lease interest in the amount of $1,101,750 and $151,565, respectively.

11. CAPITAL ASSETS

A. Changes

Capital assets balances and activity for the year ended June 30, 2026**,** were as follows:

	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026
Governmental activities				
Capital assets not being depreciated:				
Land	$ 2,629,860	$	$	$ 2,629,860
Construction in progress	8,113,152	3,428,286	(4,429,779)	7,111,659
Total capital assets not being depreciated	10,743,012	3,428,286	(4,429,779)	9,741,519
Capital assets being depreciated/amortized:				
Buildings and improvements	251,639,106	5,982,651		257,621,757
Site improvements	8,229,127	1,171,194		9,400,321
Vehicles	7,806,618	829,140	(94,318)	8,541,440
Furniture and equipment	15,719,364	879,450	(1,220,562)	15,378,252
Leased equipment	622,680			622,680
Total capital assets being depreciated/amortized	284,016,895	8,862,435	(1,314,880)	291,564,450
Less accumulated depreciation/amortization for:				
Buildings and improvements	168,155,398	4,971,139		173,126,537
Site improvements	6,480,380	290,853		6,771,233
Vehicles	4,890,950	559,650	(94,318)	5,356,282
Furniture and equipment	11,238,519	1,097,763	(1,220,562)	11,115,720
Leased equipment	362,563	130,059		492,622
Total accumulated depreciation/amortization	191,127,810	7,049,464	(1,314,880)	196,862,394
Total capital assets being depreciated/amortized, net	92,889,085	1,812,971	-	94,702,056
Capital assets, net	$ 103,632,097	$ 5,241,257	$ (4,429,779)	$ 104,443,575

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

General support	$ 766,381
Instruction	5,720,202
Pupil transportation	504,357
Food service	58,524
Total depreciation/amortization expense	$ 7,049,464

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. The District is not aware of any impairments for lease 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, 2026, the District has not recorded any such impairment losses.

12. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2026, were as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 10,860,091	$ 23,750,417	$ 78,191	$ 20,668,777
Special Aid Fund	35,952	5,769,265	942,171	
Capital Projects Fund	21,373,670	3,599,260	18,000,000	
Nonmajor Funds	2,980,732	2,131,503	1,726,606	78,191
Total Governmental Funds	$ 35,250,445	$ 35,250,445	$ 20,746,968	$ 20,746,968

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 included two transfers. First was the voter-approved use of the capital reserve of $13,500,000, which was approved at the May 19, 2026, budget vote. The second was the 2025-2026 budgeted transfer of $4,500,000 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 2025-2026 operating budget.

13. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2025	Issued	Redeemed	Balance June 30, 2026
TAN	6/24/26	3.25%	$ -	$ 50,000,000	$ (50,000,000)	$ -

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 $1,002,083. The District received a premium of $203,500 for a net interest cost of $798,583.

14. LONG-TERM LIABILITIES

A. Changes

At June 30, 2026, the long-term liabilities schedule was updated to include the District's proportionate share of the net pension liability. Long-term liabilities balances and activities for the year are summarized below:

	Balance June 30, 2025	Additions	Reductions	Balance June 30, 2026	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 10,410,000	$	$ (1,575,000)	$ 8,835,000	$ 670,000
Premium on bonds	476,584		(29,299)	447,285	30,674
	10,886,584	-	(1,604,299)	9,282,285	700,674
Installment purchase debt	1,069,365		(707,784)	361,581	361,581
Lease liabilities	282,597		(132,349)	150,248	138,429
	12,238,546	-	(2,444,432)	9,794,114	1,200,684
Other long-term liabilities:					
Compensated absences	27,716,103		(398,903)	27,317,200	3,765,463
Workers' compensation	2,569,291	813,856	(1,146,509)	2,236,638	900,000
Total OPEB liability	424,819,435	77,920,924	(16,407,673)	486,332,686	17,588,000
Net pension liability - proportionate share	15,723,170		(10,565,241)	5,157,929	
	$ 483,066,545	$ 78,734,780	$ (30,962,758)	$ 530,838,567	$ 23,454,147

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.

See the following Notes for additional information on other long-term liabilities:

- For the workers' compensation liability, see "Risk Management."
- For total OPEB liability, see "Postemployment Healthcare Benefits."
- For net pension liability-proportionate share, see "Pension Plans – New York State."

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2026
Serial Bond - Library	2/6/2019	6/15/2038	1.55% - 5.00%	$ 8,835,000

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

Year Ending June 30,	Principal	Interest	Total
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	780,000	214,544	994,544
2032-2036	4,250,000	707,125	4,957,125
2037-2038	955,000	92,625	1,047,625
Total	$ 8,835,000	$ 2,132,870	$ 10,967,870

C. 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
2027	$ (30,674)
2028	(32,047)
2029	(33,192)
2030	(34,565)
2031	(35,710)
2032-2036	(194,571)
2037-2038	(86,526)
Total	$ (447,285)

D. 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 ("the 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.

E. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2026
Installment Purchase Debt	12/7/2010	7/15/2026	2.89%	$ 361,581

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 361,581	$ 5,224	$ 366,805

F. Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2026
BOCES - Copiers	8/1/2023	7/31/2027	4.50%	$ 150,248

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 138,429	$ 3,929	$ 142,358
2028	11,819	44	11,863
	$ 150,248	$ 3,973	$ 154,221

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	$ 388,831
Less interest accrued in the prior year	(28,873)
Plus interest accrued in the current year	18,164
Less amortization of deferred amounts	(29,299)
Total interest on long-term debt	$ 348,823

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, 2026, 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. The unspent bond proceeds totaling $767,234 were transferred to the debt service fund and 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 ("the Comptroller") serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Chapter 58 of the Laws of 2026 amended the New York State Tier 6 benefits structures by lowering employee contribution rates effective October 1, 2026, increasing pensionable overtime caps effective January 1, 2027, for ERS, and reducing the unreduced retirement age from 63 to 58 for TRS members with 30 years of service effective April 1, 2026.

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October and November, with the balance to be paid by the District, if necessary. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 10.11% of covered payroll for the TRS' fiscal year ended June 30, 2025. The District's average contribution rate was 13.50% of covered payroll for the ERS' fiscal year ended March 31, 2026.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2026 was $10,946,940 for TRS at the contribution rate of 9.59% and $5,973,899 for ERS at an average contribution rate of 15.85%.

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

At June 30, 2026, 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, 2025, for TRS and March 31, 2026 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, 2025	March 31, 2026
District's proportionate share of the net pension asset/(liability)	$ 33,697,706	$ (5,157,929)
District's portion of the Plan's net pension liability	0.569116%	0.0914243%
Change in proportion since the prior measurement date	(0.004695)	(0.0002789)

For the year ended June 30, 2026, the District recognized a pension expense (credit) of $(1,614,463) for TRS and $6,109,456 for ERS. At June 30, 2026, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ 17,665,111	$ 2,951,670	$	$
Changes of assumptions	13,339,873	885,388	363,317	
Net difference between projected and actual earnings on pension plan investments			26,317,824	9,248,451
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,065,003	1,776,118	257,621	758,966
District contributions subsequent to the measurement date	10,946,940	1,903,943		
Total	$ 43,016,927	$ 7,517,119	$ 26,938,762	$ 10,007,417

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense, as follows:

Year Ending June 30,	TRS	ERS
2027	$ 17,176,353	$ 2,399,918
2028	(6,975,011)	(3,052,839)
2029	(7,321,585)	(1,842,529)
2030	(1,374,393)	(1,898,791)
2031	2,988,566	
Thereafter	637,295	
	$ 5,131,225	$ (4,394,241)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2025	March 31, 2026
Actuarial valuation date	June 30, 2024	April 1, 2025
Inflation	2.50%	2.90%
Salary increases	2.04 - 5.80%	5.20%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.40%	1.50%

For TRS, annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021 for June 30, 2025, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2020 – March 31, 2025 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

For TRS, the demographic actuarial assumptions and the salary scale are based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2024. TRS runs one year and five-year experience studies annually in order to gauge the appropriateness of the assumptions. For full details, please refer to the Recommended Actuarial Assumptions 2025 Report, which can be found on the TRS' website located at www.nystrs.org.

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. Demographic assumptions used in the April 1, 2025, actuarial valuation are based on the results of an actuarial experience study completed March 31, 2025. Demographic assumptions are primarily based on system experience over the period April 1, 2020 – March 31, 2025.

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, 2025		March 31, 2026
Asset class				
Domestic equity	33.0%	6.70%	25.0%	3.29%
International equity	15.0%	7.40%	14.0%	5.85%
Global equity	4.0%	7.00%		
Real estate equity	11.0%	6.50%	12.0%	5.20%
Private equity	9.0%	9.80%	15.0%	7.00%
Alternatives investments			11.0%	5.10-5.54%
Domestic fixed income	16.0%	2.60%		
High-yield bonds	1.0%	4.70%		
Global bonds	2.0%	2.40%		
Fixed income			22.0%	1.75%
Private debt	2.0%	6.10%		
Real estate debt	6.0%	3.80%		
Cash and equivalents	1.0%	0.60%		
Cash			1.0%	0.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.5% for TRS and 2.9% for ERS.

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability)calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

TRS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset/(liability)	$ (64,750,569)	$ 33,697,706	$ 116,536,806

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset/(liability)	$ (35,227,240)	$ (5,157,929)	$ 19,981,347

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
	(Dollars in Thousands)	
Measurement date	June 30, 2025	March 31, 2026
Employers' total pension liability	$ (148,272,069)	$ (253,773,040)
Plan fiduciary net position	154,193,125	248,131,290
Employers' net pension asset/(liability)	$ 5,921,056	$ (5,641,750)
Ratio of plan fiduciary net position to the employers' total pension liability	103.99%	97.78%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2026, are paid to the system in September, October and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026, represent employer and employee contributions for the fiscal year ended June 30, 2026, 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, 2026 amounted to $10,946,940 of employer contributions and $849,584 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, 2026, represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to $1,903,943 of employer contributions. Employee contributions are remitted monthly.

17. PENSION PLANS - OTHER

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, 2026, totaled $2,498,315 and $8,118,933, respectively.

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.

Employees Covered by Benefit Terms – At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,539
Active employees	1,463
	3,002

B. Total OPEB Liability

The District's total OPEB liability of $486,332,686 was measured as of June 30, 2026, and was determined by an actuarial valuation as of July 1, 2025.

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	4.67%	
Healthcare cost trend rates	5.90%	decreasing to an ultimate rate of 3.80% by 2090
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 July 1, 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.

C. Changes in the Total OPEB Liability

Balance at June 30, 2025	$ 424,819,435
Changes for the year	
Service cost	13,236,416
Interest on total OPEB liability	22,357,712
Changes of benefit terms	-
Differences between expected and actual experience	2,390,765
Changes in assumptions or other inputs	39,936,031
Benefit payments	(16,407,673)
	61,513,251
Balance at June 30, 2026	$ 486,332,686

Changes of assumptions and other input reflects a change in the discount rate from 5.20% in 2025 to 4.67% in 2026.

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 (3.67%) or 1 percentage point higher (5.67%) than the current discount rate:

OPEB	1% Decrease 3.67%	Discount Rate 4.67%	1% Increase 5.67%
Total OPEB liability	$ (558,616,531)	$ (486,332,686)	$ (427,178,152)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.90%) or 1 percentage point higher (6.90%) than the current healthcare cost trend rate:

OPEB	1% Decrease 4.90% decreasing to 2.80%	Healthcare Cost Trend Rates 5.90% decreasing to 3.80%	1% Increase 6.90% decreasing to 4.80%
Total OPEB liability	$ (417,051,392)	$ (486,332,686)	$ (573,380,359)

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

For the year ended June 30, 2026, the District recognized an OPEB expense of $25,796,352. At June 30, 2026, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,943,953	$ 2,877,828
Changes of assumptions and other inputs	44,469,786	74,728,444
Total	$ 47,413,739	$ 77,606,272

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
2027	$ (10,467,664)
2028	(10,170,207)
2029	(7,662,351)
2030	(8,202,352)
2031	5,616,159
Thereafter	693,882
	$ (30,192,533)

19. DEFERRED INFLOWS OF RESOURCES

In the governmental funds financial statements, deferred inflows of resources, at June 30, 2026, 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, 2026, totaled $482,726 and $2,615,671, respectively.

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:

	2025	2026
Unpaid claims at beginning of year	$ 1,999,961	$ 2,569,291
Incurred claims and claim adjustment expenses	1,641,544	813,856
Claim payments	(1,072,214)	(1,146,509)
Unpaid claims at year end	$ 2,569,291	$ 2,236,638

At June 30, 2026, the District had $2,203,700 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. FUND BALANCE – GOVERNMENTAL FUNDS

A. Fund Balance

The following is a summary of fund balance classifications by fund:

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable: Inventory	$	$	$ 63,475	$ 63,475
Restricted:				
Workers' compensation	2,203,700			2,203,700
Unemployment insurance	1,326,900			1,326,900
Retirement contribution				
TRS	1,921,775			1,921,775
ERS	12,183,199			12,183,199
Property loss	1,733,702			1,733,702
Liability	579,216			579,216
EBAL	11,939,290			11,939,290
Capital	3,149,528	13,500,000		16,649,528
Debt			39,367	39,367
Scholarships			399,297	399,297
	35,037,310	13,500,000	438,664	48,975,974
Assigned:				
Appropriated FB	7,000,000			7,000,000
Unappropriated FB	1,139,684	8,476,427	2,730,243	12,346,354
	8,139,684	8,476,427	2,730,243	19,346,354
Unassigned: FB	12,718,704			12,718,704
Total Fund Balance	$ 55,895,698	$ 21,976,427	$ 3,232,382	$ 81,104,507

B. Restricted for Capital Reserves

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

Date Created	May 2022	May 2024	
Number of Years to Fund	20	20	
Maximum Funding	$ 40,000,000	$ 30,000,000	
			Total
General Fund			
Funding Provided	$ 13,114,112	$ 1,500,000	$ 14,614,112
Interest Earnings	1,916,539	118,877	2,035,416
Use of Reserve	(13,500,000)		(13,500,000)
Total General Fund	1,530,651	1,618,877	3,149,528
Capital Projects Fund			
Funding Provided	13,500,000		13,500,000
Use of Reserve			-
Total Capital Projects Fund	13,500,000	-	13,500,000
Balance as of June 30, 2026	$ 15,030,651	$ 1,618,877	$ 16,649,528

22. FUND BALANCE APPROPRIATED FOR THE 2026-2027 BUDGET

A. Restricted Fund Balance – Appropriated Reserves

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2026 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2027:

Workers' Compensation	$ 1,750,000
Unemployment	150,000
Retirement Contributions	
Teachers' retirement system	1,000,000
Employees' retirement system	6,500,000
Employee Benefit Accrued Liability	3,300,000
	$ 12,700,000

B. Assigned - Appropriated Fund Balance

The amount of $7,000,000 has been appropriated to reduce taxes for the year ending June 30, 2027.

23. TAX ABATEMENTS

The Town of Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax levy was reduced by $5,042,495. The District received PILOT totaling $3,504,745.

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 $80,779.

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 $916,192.

24. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2026, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General support	$ 790,133
Instruction	349,551
	1,139,684
Capital Projects Fund	
Capital projects	6,668,249
	$ 7,807,933

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.

25. SUBSEQUENT EVENTS

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Unaudited)
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Final Budget Variance with Original Budget	Actual	Final Budget Variance with Actual
REVENUES					
Local Sources					
Real property taxes	$ 230,295,556	$ 231,720,365	$ 1,424,809	$ 231,720,365	$ -
Other tax items	13,150,000	11,725,191	(1,424,809)	9,477,559	(2,247,632)
Charges for services	1,360,000	1,381,133	21,133	1,627,318	246,185
Use of money and property	3,758,165	3,758,165	-	4,286,977	528,812
Sale of property and compensation for loss	190,000	196,012	6,012	124,633	(71,379)
Miscellaneous	1,592,994	1,720,124	127,130	2,226,072	505,948
Total Local Sources	250,346,715	250,500,990	154,275	249,462,924	(1,038,066)
State Sources	41,789,615	41,789,615	-	41,618,887	(170,728)
Medicaid Reimbursement	175,000	175,000	-	546,542	371,542
Total Revenues	292,311,330	292,465,605	154,275	291,628,353	(837,252)
OTHER FINANCING SOURCES					
Operating transfers in	78,191	78,191	-	78,191	-
Total Revenues and Other Financing Sources	292,389,521	292,543,796	154,275	291,706,544	$ (837,252)
APPROPRIATED FUND BALANCE					
Prior Years' Surplus	5,275,000	5,275,000	-		
Prior Year's Encumbrances	538,054	538,054	-		
Appropriated Reserves	10,000,000	23,510,000	13,510,000		
Total Appropriated Fund Balance	15,813,054	29,323,054	13,510,000		
Total Revenues, Other Financing Sources, and Appropriated Fund Balance	$ 308,202,575	$ 321,866,850	$ 13,664,275		

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Unaudited) (Continued)
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Final Budget Variance with Original Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES						
General Support						
Board of education	$ 164,830	$ 171,355	$ 6,525	$ 163,267	$	$ 8,088
Central administration	531,605	526,605	(5,000)	419,234		107,371
Finance	1,944,817	1,944,675	(142)	1,781,798	26,675	136,202
Staff	2,023,072	2,023,072	-	1,652,790	125	370,157
Central services	21,799,177	21,872,202	73,025	19,282,547	763,333	1,826,322
Special items	2,991,910	3,001,910	10,000	2,822,247		179,663
Total General Support	29,455,411	29,539,819	84,408	26,121,883	790,133	2,627,803
Instruction						
Administration & improvement	9,467,147	9,465,622	(1,525)	9,055,228		410,394
Teaching - regular school	87,578,623	88,333,417	754,794	86,467,644	108,854	1,756,919
Programs for students with disabilities	49,143,226	47,980,547	(1,162,679)	46,802,860	198,578	979,109
Occupational education	1,201,200	1,201,200	-	1,201,200		-
Teaching - special schools	377,000	404,700	27,700	397,315	120	7,265
Instructional media	6,209,328	6,320,381	111,053	6,083,402		236,979
Pupil services	14,008,458	14,184,569	176,111	13,739,402	41,999	403,168
Total Instruction	167,984,982	167,890,436	(94,546)	163,747,051	349,551	3,793,834
Pupil Transportation	19,017,556	19,031,568	14,012	17,873,294		1,158,274
Community Services	121,400	139,443	18,043	138,038		1,405
Employee Benefits	83,446,620	83,446,620	-	79,677,476		3,769,144
Debt Service						
Principal	-	132,349	132,349	132,349		-
Interest	1,000,000	1,010,009	10,009	808,592		201,417
Total Debt Service	1,000,000	1,142,358	142,358	940,941	-	201,417
Total Expenditures	301,025,969	301,190,244	164,275	288,498,683	1,139,684	11,551,877
OTHER FINANCING USES						
Operating Transfers Out	7,176,606	20,676,606	13,500,000	20,668,777		7,829
Total Expenditures and Other Uses	$ 308,202,575	$ 321,866,850	$ 13,664,275	309,167,460	$ 1,139,684	$ 11,559,706
Net Change in Fund Balance				(17,460,916)		
Fund Balance - Beginning of Year				73,356,614		
Fund Balance - End of Year				$ 55,895,698		

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.

The original budget reported includes the voter-approved budget for June 30, 2026, plus prior year encumbrances (valid legal commitments) carried forward from June 30, 2025.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparisons (Unaudited)
For the Year Ended June 30, 2026

Budgetary Basis of Accounting

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.

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

The variance explanations and related operational commentary presented in this comparison represent the analysis and views of management.

General Fund Original Budget to Final Budget Highlights

Fund Balance

The following significant, additional fund balance amount was appropriated during the year:

May 2026 voter-approved use of capital reserve expenditures for roof reconstruction.	$	13,500,000
Insurance costs funded by board-approved use of liability reserve.		10,000

Expenditures

The following is a brief summary of significant budget to budget expenditure changes:

Programs for students with disabilities: Decreased as expected budgeted costs never materialized.	(1,162,679)
Operating transfers out: Increased due to voter-approved uses of capital reserve expenditure in May 2026.	13,500,000

General Fund Budget to Actual Highlights

Final Budget Compared to Actual Revenues

The following is a brief summary of actual revenue amounts that were greater than anticipated:

Other tax items: Actual revenues were less than budgeted primarily due to PILOT revenues being lower than anticipated.	(2,247,632)

Final Budget Compared to Actual Expenditures

The following is a brief summary of actual expenditure amounts that were less than budgeted:

General Support - central services: Expenditures were less than budgeted primarily due to vacant security, maintenance, clerical, and administrative positions, employee leaves of absence, and reduced overtime costs. Additional savings resulted from lower-than-anticipated security coverage requirements and the no utilization of certain budgeted provisions for unforeseen security and operational needs.	1,826,322
Instruction - regular schools: Expenditures were less than budgeted primarily due to employee vacancies, unpaid leaves of absence, and the replacement of certain personnel with lower-cost staffing alternatives. Additional savings resulted from efforts to manage paraprofessional and other instructional support staffing levels.	1,756,919
Pupil transportation: Expenditures were less than budgeted primarily due to vacant administrative positions, reduced contracted vehicle repair costs resulting from additional maintenance performed in-house, and lower than anticipated fuel expenditures. Additional savings resulted from lower-than-anticipated transportation needs and budgeted provisions for supplemental contracted transportation services that were not utilized.	1,158,274
Employee benefits: Expenditures were less than budgeted primarily due to lower-than-anticipated retirement system contributions, health insurance costs, and workers' compensation and disability expenditures. Additional savings resulted from changes to an employee disability benefit program.	3,769,144

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

Teachers' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset/(liability)	0.569116%	0.573811%	0.576263%	0.599938%	0.603983%	0.582262%	0.576429%	0.582568%	0.594785%	0.601917%
District's proportionate share of the net pension asset/(liability)	$ 33,697,706	$ 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)
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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	29.85 %	15.53 %	6.16 %	10.77 %	101.89 %	16.28 %	15.45 %	10.93 %	4.80 %	6.94 %
Plan fiduciary net position as a percentage of the total pension liability	103.99%	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%
Discount rate	6.95%	6.95%	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset/(liability)	0.0914243%	0.0917032%	0.1018953%	0.0942903%	0.0935107%	0.0938976%	0.0984622%	0.0992998%	0.1058445%	0.0990451%
District's proportionate share of the net pension asset/(liability)	$ (5,157,929)	$ (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)
District's covered payroll	$ 38,364,353	$ 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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	13.44 %	41.77 %	42.98 %	56.68 %	23.06 %	0.29 %	74.26 %	21.61 %	11.25 %	29.01 %
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%

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

Teachers' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 10,946,940	$ 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
Contributions in relation to the contractually required contribution	10,946,940	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 115,607,506	$ 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
Contributions as a percentage of covered payroll	9%	10%	10%	10%	10%	10%	9%	11%	10%	12%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 5,973,899	$ 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
Contributions in relation to the contractually required contribution	5,973,899	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 38,826,560	$ 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
Contributions as a percentage of covered payroll	15%	12%	12%	11%	15%	15%	14%	13%	15%	14%

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

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability									
Service cost	$ 13,236,416	$ 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	22,357,712	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	2,390,765	-	1,711,428	-	(9,303,576)	-	(22,434,229)	-	520,191
Changes of assumptions or other inputs	39,936,031	(80,682,152)	(20,036,755)	28,571,177	(34,261,706)	3,815,630	25,303,378	(33,473,683)	-
Benefit payments	(16,407,673)	(15,181,303)	(14,252,348)	(13,323,589)	(12,799,009)	(10,561,394)	(10,019,552)	(11,875,887)	(11,852,734)
Net change in total OPEB liability	61,513,251	(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	424,819,435	483,313,963	478,999,572	430,862,433	456,853,320	432,871,687	407,435,495	420,764,541	401,232,311
Total OPEB liability, ending	$ 486,332,686	$ 424,819,435	$ 483,313,963	$ 478,999,572	$ 430,862,433	$ 456,853,320	$ 432,871,687	$ 407,435,495	$ 420,764,541
Covered employee payroll	$ 135,325,920	$ 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	359.38%	319.82%	363.85%	375.04%	337.35%	372.42%	352.87%	346.59%	357.92%
Discount rate	4.67%	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	5.90% to 3.80% by 2090	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 as set forth by GASB Statement No. 75 to pay related benefits.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	School Food Service	Debt Service	Extraclassroom Activities	Scholarships	Total Nonmajor Funds
ASSETS					
Cash					
Unrestricted	$ 82,798	$ 932,667	$ 470,750	$	$ 1,486,215
Restricted		74,967		363,697	438,664
Receivables					
Accounts receivable	56,435				56,435
Due from other funds	2,945,132			35,600	2,980,732
Due from state and federal	485,926				485,926
Inventories	63,475				63,475
Total Assets	$ 3,633,766	$ 1,007,634	$ 470,750	$ 399,297	$ 5,511,447
LIABILITIES					
Payables					
Accounts payable	$ 18,681	$	$	$	$ 18,681
Accrued liabilities	36,185				36,185
Due to other funds	1,163,236	968,267			2,131,503
Due to other governments	1,901				1,901
Unearned credits					
Collections in advance	90,795				90,795
Total Liabilities	1,310,798	968,267	-	-	2,279,065
FUND BALANCES					
Nonspendable: Inventory	63,475				63,475
Restricted:					
Debt		39,367			39,367
Scholarships				399,297	399,297
Assigned: Unappropriated fund balance	2,259,493		470,750		2,730,243
Total Fund Balances	2,322,968	39,367	470,750	399,297	3,232,382
Total Liabilities and Fund Balances	$ 3,633,766	$ 1,007,634	$ 470,750	$ 399,297	$ 5,511,447

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, 2026

	School Food Service	Debt Service	Extraclassroom Activities	Scholarships	Nonmajor Governmental Funds
REVENUES					
Use of money and property	$ 29,642	$ 60,066	$	$ 13,599	$ 103,307
Miscellaneous	104,826		610,425	42,450	757,701
State sources	1,929,848				1,929,848
Federal sources	1,755,146				1,755,146
Sales	610,748				610,748
Total Revenues	4,430,210	60,066	610,425	56,049	5,156,750
EXPENDITURES					
Instruction			561,457	52,745	614,202
Employee benefits	588,270				588,270
Debt service					
Principal		2,282,784			2,282,784
Interest		378,822			378,822
Food service program	3,647,804				3,647,804
Total Expenditures	4,236,074	2,661,606	561,457	52,745	7,511,882
Excess (Deficiency) of Revenues Over Expenditures	194,136	(2,601,540)	48,968	3,304	(2,355,132)
OTHER FINANCING SOURCES AND (USES)					
Operating transfers (in)		1,726,606			1,726,606
Operating transfers (out)		(78,191)			(78,191)
Total Other Financing Sources and (Uses)	-	1,648,415	-	-	1,648,415
Net Change in Fund Balances	194,136	(953,125)	48,968	3,304	(706,717)
Fund Balances - Beginning of Year	2,128,832	992,492	421,782	395,993	3,939,099
Fund Balances - End of Year	$ 2,322,968	$ 39,367	$ 470,750	$ 399,297	$ 3,232,382

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund (Unaudited)
For the Year Ended June 30, 2026

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 307,664,521
Additions:		
Prior year's encumbrances		538,054
Original Budget		308,202,575
Budget revisions		13,664,275
Final Budget		$ 321,866,850

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2026-2027 voter-approved expenditure budget		$ 317,967,592
Maximum allowed (4% of 2026-2027 budget)		$ 12,718,704
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 8,139,684	
Unassigned fund balance	12,718,704	
		$ 20,858,388
Less:		
Appropriated fund balance	7,000,000	
Encumbrances	1,139,684	
Total adjustments		8,139,684
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 12,718,704
Actual Percentage		4.00%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund (Unaudited)
For the Year Ended June 30, 2026

PROJECT TITLE	Budget June 30, 2025	Budget June 30, 2026	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Debt	Methods of Financing: Grant Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance June 30, 2026
2018-19 Projects											
HSE - Window Replacement	$ 1,997,350	$ 1,954,650	$ 1,954,650	$	$ 1,954,650	$ -	$	$	$ 1,954,650	$ 1,954,650	$ -
2019-20 Projects											
WH - Roof, HW Heater, Cooling Tower	3,642,222	3,622,060	3,559,405	1,609	3,561,014	61,046			3,622,060	3,622,060	61,046
2021-22 Projects											
HSE - Turf Field & Bathroom Renovations	2,754,045	2,562,507	2,233,837	251,354	2,485,191	77,316			2,562,507	2,562,507	77,316
Smart Schools Bond Act	2,717,346	2,717,346	2,107,554	116,419	2,223,973	493,373		2,717,346		2,717,346	493,373
2022-23 Projects											
SQ - Ventilation/Air Handling Units	349,614	349,614	232,121		232,121	117,493			349,614	349,614	117,493
CW - Track/Bathroom Renovations	735,101	688,423	635,000	47,263	682,263	6,160			688,423	688,423	6,160
2023-24 Projects											
HSE - Track Replacement	1,072,397	1,126,007	46,258	1,079,342	1,125,600	407			1,126,007	1,126,007	407
WH - Track/Bathroom Renovations	1,366,263	1,366,263	74,052	1,287,663	1,361,715	4,548			1,366,263	1,366,263	4,548
CW - Windows	3,034,376	3,564,636	126,312	2,582,573	2,708,885	855,751			3,564,636	3,564,636	855,751
HSE - Windows	1,780,442	1,831,829	1,774,561	-	1,774,561	57,268			1,831,829	1,831,829	57,268
2024-25 Projects											
HSW - Track Renovations	1,900,000	1,949,108	14,101	266,240	280,341	1,668,767			1,949,108	1,949,108	1,668,767
HSW - Bathroom Renovations	1,667,500	1,836,655	17,812	88,507	106,319	1,730,336			1,836,655	1,836,655	1,730,336
2025-26 Projects											
HSE - Office Renovations		200,000		172,910	172,910	27,090			200,000	200,000	27,090
HSE - Locker Room		581,144		31,924	31,924	549,220			581,144	581,144	549,220
SH - Playground		555,000		26,796	26,796	528,204			555,000	555,000	528,204
PA - Playground		590,000		30,107	30,107	559,893			590,000	590,000	559,893
HSW - Fuel Tank/Turf Field		1,715,000		65,815	65,815	1,649,185			1,715,000	1,715,000	1,649,185
FGAC - Underground Storage Tank		365,000		19,903	19,903	345,097			365,000	365,000	345,097
VA - Multiuse Bathroom		450,000		27,092	27,092	422,908			450,000	450,000	422,908
2026-27 Projects											
HSE - Roof Reconstruction		13,500,000			-	13,500,000			13,500,000	13,500,000	13,500,000
Administration - Interior Lockset	1,928,195	1,419,609	1,419,609		1,419,609	-		500,000	919,609	1,419,609	-
Totals	$ 24,944,851	$ 42,944,851	$ 14,195,272	$ 6,095,517	$ 20,290,789	$ 22,654,062	$ -	$ 3,217,346	$ 39,727,505	$ 42,944,851	22,654,062
									Smart Schools Bond Act monies not yet received		(677,635)
											$ 21,976,427

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets (Unaudited)
June 30, 2026

Capital assets, net	$ 104,443,575
Deduct:	
Capital related liability - accounts payable	301,594
Short-term portion of bonds payable	670,000
Long-term portion of bonds payable	8,165,000
Premium on bonds payable	447,285
Short-term portion of installment purchase debt	361,581
Short-term portion of lease liabilities	138,429
Long-term portion of lease liabilities	11,819
	10,095,708
Net investment in capital assets	$ 94,347,867

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
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, 2026, 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 12, 2026.

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 12, 2026.

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 12, 2026

HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITIES FUND FINANCIAL STATEMENT WITH INDEPENDENT AUDITOR'S REPORT

June 30, 2026

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Dix Hills, New York

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
June 30, 2026

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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2026, 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, 2026, 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 12, 2026

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2026

	Cash Balance June 30, 2025	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2026
CLUBS				
Half Hollow Hills HS East				
Grade 9	$ 9,367	$ 67,518	$ 67,122	$ 9,763
Grade 10	481			481
Grade 11	462	20,080	19,073	1,469
Grade 12	500		71	429
Academic Team	164			164
African American Society Org.	9	1,300	363	946
Amnesty International	1,227			1,227
Animal Friends	64			64
Architecture Club	125			125
Art Honor Society	1,788	1,148	1,919	1,017
Asian American Club	50			50
Astronomy Club	46			46
Best Buddies	6,808		3,531	3,277
Business Honor Society	3,907	2,040	2,200	3,747
Chamber Choir	335			335
Cheerleading	372			372
Chinese Culture	472	63		535
Constitution Club	3,972	16,985	13,747	7,210
DECA	146	13,754	13,178	722
Drama	14,035	9,629	10,743	12,921
Dungeons and Dragons	-	228		228
English Honor Society	(16)	955	728	211
Fashion Club	732	170	194	708
FBLA	1,622	11,608	11,683	1,547
Film Making Club	747	221	447	521
French Culture Club	1,066	140	243	963
Future Doctors of America	1,331			1,331
Future Educators	135	170	153	152
GSA	284	600	847	37
HHH East Music	16,192	28,942	30,335	14,799
Horticulture	678		54	624
Ichthus Club	221			221
Indian American Club	72	280		352
Interact	1,465	1,250	1,528	1,187
Italian Club	-	510	100	410
Key Club	2,149	187	187	2,149
Kickline	698	185	35	848
Subtotal Half Hollow Hills HS East	71,706	177,963	178,481	71,188

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2026
(Continued)

	Cash Balance June 30, 2025	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2026
Half Hollow Hills HS East (cont'd)				
Math Honor Society	$ 749	$ 525	$ 551	$ 723
Mock Trial	100			100
Model UN	369	320	320	369
Musical	32,421	31,451	24,964	38,908
Music Honor Society	1,433	9,275	7,265	3,443
Muslim Student Association	257			257
National Chinese Honor Society	1,356	1,460	1,460	1,356
National French Honor Society	3,839	887	1,065	3,661
National Honor Society	3,041	2,675	2,022	3,694
National Spanish Honor Society	1,742	2,320	1,132	2,930
One World Youth	1,264			1,264
Orchestra	2,672	22,944	21,762	3,854
Peer Aids Educators	635			635
Peer Ambassadors	166			166
Pegasus	2,826			2,826
Photo Club	154		154	-
Rising Stars	134			134
Robotics	856	918	1,080	694
SADD	1,289			1,289
School Store	1,362		165	1,197
Science Explorers	7			7
Science Honor Society	4,393	775		5,168
Science Olympiads	61			61
Senior Experience	36			36
Sikh Culture	-	227		227
Social Studies Honor Society	417	1,270		1,687
Spanish Club	1,791	280	990	1,081
Speech & Debate	43	23,609	20,940	2,712
Stage Crew	2,187	715	195	2,707
Step Team	-	500		500
Strong/Lawn	61	1,500	1,500	61
Student Government	28	1,952	1,791	189
Sustainability	1,002			1,002
Thespian	2,359	4,074	4,685	1,748
Thunderbird	58			58
Yearbook	2,569	9,813	5,224	7,158
Total Half Hollow Hills HS East	143,383	295,453	275,746	163,090

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2026
(Continued)

	Cash Balance June 30, 2025	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2026
Half Hollow Hills HS West				
Grade 9	$ 2,810	$ 31,080	$ 32,886	$ 1,004
Grade 10	1,600	4,644	3,288	2,956
Grade 11	1,632	376		2,008
Grade 12	779	476	99	1,156
AASO	931	1,300	343	1,888
Art Club	76			76
Art Honor Society	267	575	355	487
Asian Club	688		150	538
Athletes Helping Athletes	181			181
Business Honor (Brainstormers)	111		100	11
Chess Club	350			350
Chinese Culture Club	640	745	955	430
Chorus West	289	1,965	1,960	294
Colts R Us (Friendship Club)	211			211
Computer Club	159			159
Cooking Club	195	570	552	213
DECA	575	10,344	10,420	499
Environmental Club	1,710			1,710
FBLA	3,427	9,230	8,845	3,812
French Club	66	300		366
FTC	1,201	1,550	988	1,763
Future Educators (Glamour Girls)	823	417	242	998
GSA	500			500
Ichthus Club	18			18
Interact	475	1,354	1,328	501
Italian Club	299			299
Jewish Heritage	544	96		640
Key Club	101	1,853	1,853	101
Kickline (Wranglerettes)	222	1,814	1,624	412
Muslim Student Association	926	378		1,304
National Honor Society	4,412		1,599	2,813
One World	216			216
Peer Aids	99			99
SADD	620	622	500	742
School Newspaper	36			36
Science Honor Society	1,686	125	470	1,341
Science Olympiad	336	1,430	1,196	570
School Store (Business Club)	10,747		237	10,510
Senior Experience	308	6,644	6,744	208
Subtotal Half Hollow Hills HS West	40,266	77,888	76,734	41,420

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITIES FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2026
(Continued)

	Cash Balance June 30, 2025	Receipts and Transfers	Disbursements and Transfers	Cash Balance June 30, 2026
Half Hollow Hills HS West (cont'd)				
Spanish Honor Society	$ 3,034	$ 20	$ 177	$ 2,877
Step	117	500	100	517
Student Senate	1,686	2,836	2,832	1,690
Symphonic Band	370			370
TAP	848			848
Theatre West	3,881	13,775	2,719	14,937
Tri M	6,208	1,560	3,494	4,274
Varsity Club	1			1
Westhespians	334	105	150	289
Wise	552			552
Womens Empower	286			286
Yearbook	42,576	7,815	10,699	39,692
Total Half Hollow Hills HS West	100,159	104,499	96,905	107,753
Candlewood Middle School				
Chamber Orchestra	1,508	240	100	1,648
Dance Line	293	1,801	1,800	294
Dramatic Arts	21,291	24,715	14,254	31,752
Eighth Grade	20,505	28,542	26,661	22,386
National Junior Honor Society	5,422		318	5,104
Service Club	6,847	5,057	3,440	8,464
Student Council	14,603	3,572	4,030	14,145
Yearbook	20,214	3,500	8,420	15,294
Total Candlewood Middle School	90,683	67,427	59,023	99,087
West Hollow Middle School				
Dramatic Arts	59,744	38,614	27,978	70,380
Environmental	625		299	326
Select Chorus	-	2,355	2,258	97
Hi-Tech	10			10
National Junior Honor Society	278			278
SADD	33			33
School Store	3,800	9,810	8,815	4,795
Student Council	12,686	56,122	57,504	11,304
Tri-M	1,526	13,781	13,377	1,930
Yearbook	8,855	22,365	19,553	11,667
Total West Hollow Middle School	87,557	143,047	129,784	100,820
Grand Total	$ 421,782	$ 610,426	$ 561,458	$ 470,750

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.

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 12, 2026

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, 2026, 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 a certain matter that reflects the opportunity for strengthening internal controls and operating efficiencies. This memorandum updates that prior-year finding and suggestion concerning that matter. We also noted a matter in the current year that reflects the opportunity for strengthening internal controls and that is covered in our current-year comment. This letter does not affect our report dated October 12, 2026, 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

1650 ROUTE 112, PORT JEFFERSON STATION, NEW YORK 11776-3060
PHONE: 631-473-3400 • FAX: 631-473-4863 • WWW.CDLLP.NET

STATUS OF PRIOR YEAR COMMENT

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, 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.

During our current 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 central treasurer, as there was no sign off on the form.

- In our sample of ten (10) cash disbursements, we observed:
    - One (1) instance lacked the faculty advisor's signature to verify approval of the disbursement.
    - Two (2) instances in which a student's signature was missing indicating involvement in the transaction.
    - One (1) instance in which the sign off on the activity treasurer was signed off as "Admin" and was not a student signature.

Middle School

- In our sample of ten (10) cash disbursements, we identified two (2) instances where the disbursement forms lacked any signature from the student to indicate student involvement. In addition, we noted one (1) instance in which backup documentation could not be provided for the disbursement.
- In our sample of ten (10) cash receipts, we noted there was no evidence of a sign off by the student indicating their involvement in the transaction.

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.

CURRENT YEAR COMMENT

Financial Closing and Reporting Process

An effective year-end closing process is an important component of the District's internal control over financial reporting. The District has established procedures designed to ensure that significant accounts are reconciled, year-end accruals and other closing entries are identified and recorded, and the accounting records are reviewed for completeness and accuracy. During the current year, the transition in the Treasurer position affected the timing and completion of certain aspects of the year-end closing process.

The District experienced a transition in the Treasurer position during the fiscal year, which required the new Treasurer to assume responsibility for the District's accounting records while becoming familiar with the District's financial operations and existing accounting practices. As a result, certain aspects of the year-end closing process continued into the audit period, and a significant number of adjusting journal entries were recorded to properly reflect certain account balances and year-end activity. We recognize that these circumstances occurred during a period of transition and that management worked cooperatively with us throughout the audit process. The additional adjustments and coordination required during the audit indicate that the year-end closing process would benefit from additional support while the Treasurer continues to become familiar with the District's financial reporting responsibilities.

We recommend that the District continue to utilize its established year-end closing procedures, with particular attention to the completion of account reconciliations, identification and recording of year-end accruals and adjustments, and review of significant account balances prior to the commencement of the annual audit. Given the transition in the Treasurer position, management should also consider whether additional training or temporary outside accounting support would be beneficial until the Treasurer becomes fully acclimated with the District's financial reporting processes and year-end closing responsibilities.