



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES WITH  
INDEPENDENT AUDITORS' REPORTS

June 30, 2009

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2 to the financial statements, the District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* for the year ended June 30, 2009.

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 as well as the fiduciary funds of the Half Hollow Hills Central School District, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2009, on our consideration of the Half Hollow Hills Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 11 and 38 through 40, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The other supplementary information on pages 41 through 48 is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other supplementary information. However, we did not audit the information and express no opinion on it.

*Coughlin, Fournabotes Cullen, Demowski, LLP*

October 1, 2009

# HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Half Hollow Hills Central School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

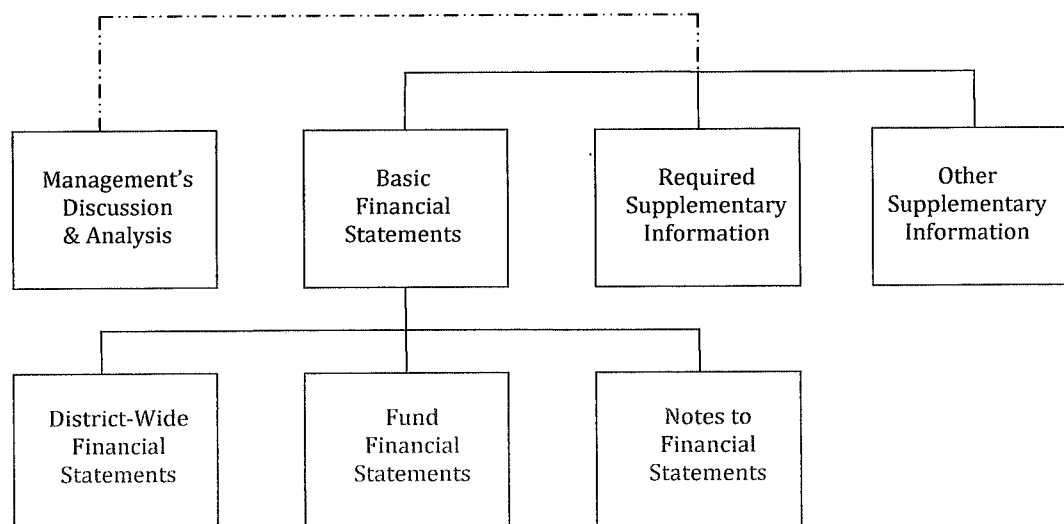
### 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- The District's total net assets, as reflected in the district-wide financial statements is \$71,983,304, a decrease of \$4,178,102.
- The District's operating revenues and expense for the year, as reflected in the district-wide financial statements, were \$202,183,742 and \$206,361,844, respectively.
- The District received \$4,170,696 in operating grants to support instructional programs.
- The general fund's total fund balance, including reserved and unreserved balances, increase by \$4,762,695 to \$38,102,142.
- The District incurred \$5,979,479 of capital expenditures to improve its facilities.
- The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) during the year. Under the accrual basis of accounting, the District is now required to record as a current year expense the cost of providing health retirement benefits to active and retired employees. During the year ended June 30, 2009, the District recorded an obligation of \$9,351,700 relating to these benefits.
- The District appropriated a total of \$5,400,000 to the 2009-10 school budget. The District appropriated \$4,150,000 from fund balance and used an additional \$1,250,000 from its reserves to offset next year's tax levy.

### 2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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**A. District-wide Financial Statements**

The District-wide financial statements 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 Assets and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize 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 Assets

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

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

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

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

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

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

Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school lunch fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Assets**

The Districts total net assets decreased by \$4,178,102 between fiscal year 2008 and 2009. A summary of the District's Statement of Net Assets for June 30, 2009 and 2008 is as follows:

	2009	2008	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 53,493,765	\$ 54,318,903	\$ (825,138)	(1.52)%
Capital Assets, Net	131,718,195	130,620,461	1,097,734	0.84 %
Total Assets	185,211,960	184,939,364	272,596	0.15 %
Current and Other Liabilities	11,216,512	11,522,815	(306,303)	(2.66)%
Long-Term Liabilities Outstanding	92,660,444	97,255,143	(4,594,699)	(4.72)%
Net Other Postemployment Benefits Obligation	9,351,700		9,351,700	100.00 %
Total Liabilities	113,228,656	108,777,958	4,450,698	4.09 %
Net Assets				
Invested in Capital Assets, Net of Related Debt	55,535,035	49,735,992	5,799,043	11.66 %
Restricted	269,814	342,220	(72,406)	(21.16)%
Unrestricted	16,178,455	26,083,194	(9,904,739)	(37.97)%
Total Net Assets	\$ 71,983,304	\$ 76,161,406	\$ (4,178,102)	(5.49)%

At June 30, 2009, the District's net assets are \$71,983,304.

The net assets invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

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

The restricted net assets in the amount of \$269,814 relates to the District's debt reserve. During the year, the District utilized \$72,406 to offset current year principal and interest payments on long-term bonds payable.

The unrestricted net assets at June 30, 2009, were \$16,178,455. The decrease from the prior year is primarily due to the reporting of the OPEB liability, as a result of GASB 45.

**B. Changes in Net Assets**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) 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, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 3,643,747	\$ 3,423,377	\$ 220,370	6.44 %
Operating Grants	4,877,660	4,986,035	(108,375)	(2.17)%
General Revenues				
Property Taxes and STAR	161,998,019	157,531,391	4,466,628	2.84 %
State Sources	27,329,295	28,160,744	(831,449)	(2.95)%
Other	4,335,021	5,429,481	(1,094,460)	(20.16)%
Total Revenues	<u>202,183,742</u>	<u>199,531,028</u>	<u>2,652,714</u>	1.33 %
<b>Expenses</b>				
General Support	23,397,743	20,615,829	2,781,914	13.49 %
Instruction	159,272,132	150,216,985	9,055,147	6.03 %
Pupil Transportation	16,807,867	13,064,493	3,743,374	28.65 %
Community Service	178,488	165,909	12,579	7.58 %
Debt Service - Interest	3,886,632	4,897,344	(1,010,712)	(20.64)%
Food Service Program	2,818,982	3,121,405	(302,423)	(9.69)%
Total Expenses	<u>206,361,844</u>	<u>192,081,965</u>	<u>14,279,879</u>	7.43 %
Increase (Decrease) in Net Assets	<u>\$ (4,178,102)</u>	<u>\$ 7,449,063</u>	<u>\$ (11,627,165)</u>	(156.09)%

The change in net assets represents the District's operating profit or loss on the accrual basis of accounting. For the year ended June 30, 2009, the loss was \$4,178,102 compared to a \$7,449,063 profit in the prior year. Revenues increased by 1.33% while expense increased by 7.43%.

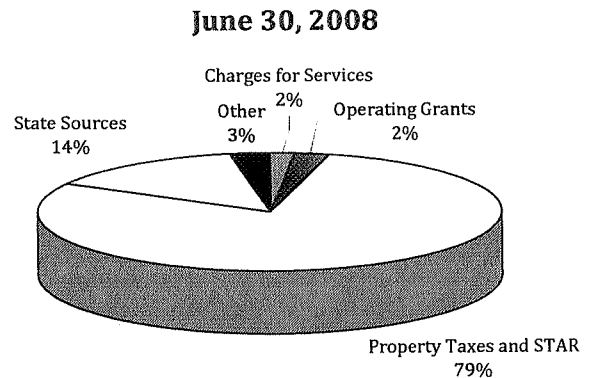
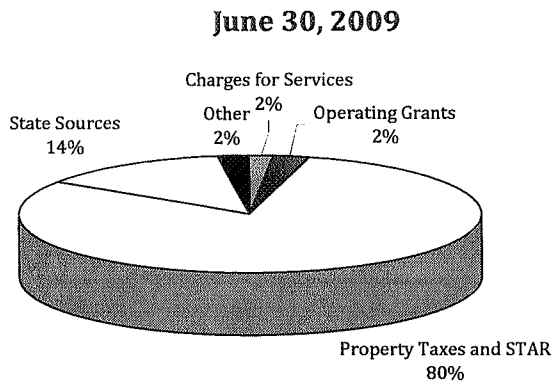
As indicated on the pie charts that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 80% and 79% of the total for the years ended June 30, 2009 and 2008, respectively). Instructional expense is the largest category of expenses incurred (i.e., 78% and 77% of the total for the years ended June 30, 2009 and 2008, respectively). The pie charts demonstrate that the components of revenues and expenses are effectively the same for both years.



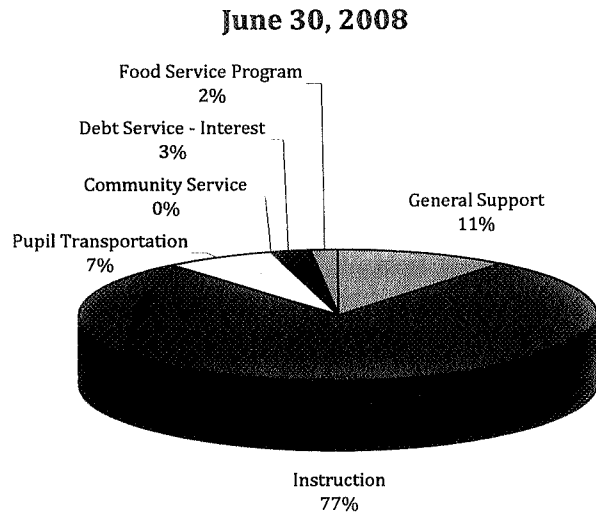
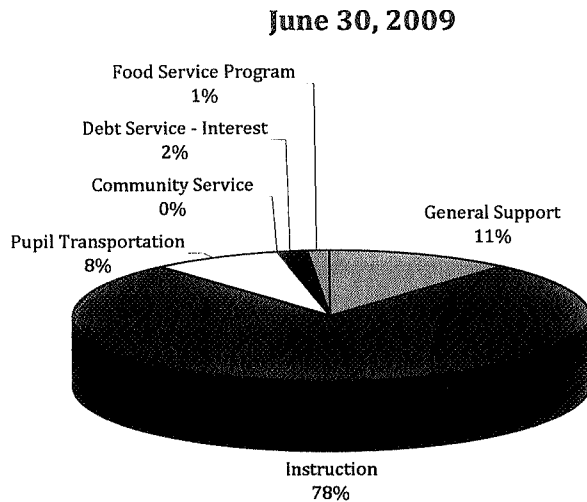
**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



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



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

At June 30, 2009, the District's governmental funds reported a combined fund balance of \$42,767,495, which is a decrease of \$537,839 from the prior year. The net decrease is primarily attributable to an increase in the general fund total fund balance of \$4,762,695, offset by capital outlay in the capital projects fund of \$5,979,479.

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

	2009	2008	Changes
<b>General Fund</b>			
Reserve for:			
Encumbrances	\$ 358,163	\$ 427,675	\$ (69,512)
Workers' Compensation	1,934,162	2,306,408	(372,246)
Unemployment Insurance	237,296	283,880	(46,584)
Employee Benefit Accrued Liability	12,318,160	12,962,182	(644,022)
Property Loss	480,386	474,674	5,712
Liability	313,701	309,971	3,730
Retirement Contribution	8,984,985	5,087,322	3,897,663
Reserves designated for subsequent year's expenditures	1,250,000		1,250,000
Unreserved - Designated for subsequent year's expenditures	4,150,000	3,639,948	510,052
Unreserved - Undesignated	8,075,289	7,847,387	227,902
	<u>38,102,142</u>	<u>33,339,447</u>	<u>4,762,695</u>
<b>School Lunch Fund</b>			
Reserve for Inventory	95,454	46,705	48,749
Unreserved - Undesignated	433,993	330,070	103,923
	<u>529,447</u>	<u>376,775</u>	<u>152,672</u>
<b>Debt Service Fund</b>			
Reserve for Debt Service	269,814	342,220	(72,406)
<b>Capital Projects Fund</b>			
Reserve for Encumbrances	2,878,410	5,479,414	(2,601,004)
Unreserved - Undesignated	987,682	3,767,478	(2,779,796)
	<u>3,866,092</u>	<u>9,246,892</u>	<u>(5,380,800)</u>
Total Fund Balance	<u>\$ 42,767,495</u>	<u>\$ 43,305,334</u>	<u>\$ (537,839)</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$4,762,695. The principal contributing factor to this increase was cost savings realized in the budget.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is an increase of \$152,672, which was the current year operating profit. In the prior year, the school lunch fund operated at a profit of \$51,946.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is a decrease of \$72,406. The District used this amount to offset current year debt payments.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$5,380,800, due to expenditures incurred during the year on capital projects amounting to \$5,979,479. These expenditures were offset by a transfer from the general fund in the amount of \$882,000. In addition, the District returned \$288,765 of unspent funds from prior years' projects back to the general fund.

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

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2008-09 Budget**

The District's general fund adopted budget for the year ended June 30, 2009 was \$196,188,300. This amount was increased by encumbrances carried forward from the prior year in the amount of \$427,675 and a budget revision for \$68,326, for a total final budget of \$196,684,301.

The budget was funded through a combination of estimated revenues and designated fund balance. The majority of this funding source was \$161,996,880 in estimated property taxes and STAR.

**B. Change in General Fund's Unreserved - Undesignated Fund Balance (Budget to Actual)**

The general fund's unreserved - undesignated fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unreserved - Undesignated Fund Balance	\$ 7,847,387
Revenues Over Budget	2,460,945
Expenditures and Encumbrances Under Budget	6,011,210
Interest Allocated to Reserves	(257,808)
Transfers to Reserves	(3,836,445)
Appropriated for June 30, 2010 Budget	<u>(4,150,000)</u>
Closing, Unreserved - Undesignated Fund Balance	<u><u>\$ 8,075,289</u></u>

**Opening, Unreserved - Undesignated Fund Balance**

The \$7,847,387 shown in the table is the portion of the District's June 30, 2008 fund balance that was retained as undesignated. This was 4% of the District's 2008-09 approved operating budget of \$196,188,300. It is the maximum undesignated fund balance permitted by law for a district in New York State, and is generally regarded as a positive financial management indicator.

**Revenues Over Budget**

The District's actual revenues for the year of \$195,077,623 were \$2,460,945 more than estimated at the time the budget was prepared. The principal reason for the excess revenues was the collection of PILOT payments of \$1,001,617 above the amount estimated. This positive variance increases the amount of the District's unreserved-undesignated fund balance.

**Expenditures and Encumbrances Under Budget**

The District's actual expenditures for the year and outstanding encumbrances at year end totaling \$190,673,091 were \$6,011,210 less than budgeted. This positive variance increased the amount of the District's unreserved-undesignated fund balance. The District realized significant savings in instructional and employee benefit expenditures.

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

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Net Transfers to Reserves

The District transferred \$3,836,445 to the retirement contribution reserve during the year.

Appropriated Fund Balance

The District has chosen to use \$4,150,000 of the available June 30, 2009 fund balance to partially fund the 2009-10 approved operating budget. As such, the undesignated portion of the June 30, 2009 fund balance must be reduced by this amount.

Closing, Unreserved - Undesignated Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2009-10 fiscal year with an undesignated fund balance of \$8,075,289. This is an increase of \$227,902 over the undesignated balance from the prior year as of June 30, 2008. This undesignated portion is at the permissible 4% statutory maximum and is an indicator of stability in the District's management of the undesignated general fund fund balance.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2009, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. A summary of the District's capital assets, net of depreciation at June 30, 2009 and 2008 is as follows:

	2009	2008	Increase (Decrease)
Land	\$ 2,629,860	\$ 2,629,860	\$ -
Construction in progress	11,318,304	18,194,973	(6,876,669)
Buildings and improvements	110,043,156	101,941,886	8,101,270
Site improvements	2,519,412	2,734,509	(215,097)
Vehicle	1,546,760	1,314,183	232,577
Furniture and equipment	3,660,703	3,805,050	(144,347)
Capital assets, net	<u>\$ 131,718,195</u>	<u>\$ 130,620,461</u>	<u>\$ 1,097,734</u>

The District is continuing to make significant capital additions resulting from a March 2000 voter-approved \$95,000,000 bond authorization for facilities expansion and improvement necessitated by student enrollment increases and program enhancements. At June 30, 2009, the District had expended approximately 99% of the authorization and the construction is substantially complete.

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

**B. Debt Administration**

At June 30, 2009, the District had total bonds payable of \$77,243,272. The bonds were issued for school building improvements. The decreases in outstanding debt represent principal payments. A summary of the outstanding debt at June 30, 2009 and 2008 is as follows:

Issue Date	Interest Rate	2009	2008	Increase (Decrease)
1999	4.00% - 4.10%	\$ 800,000	\$ 1,600,000	\$ (800,000)
2001	4.25% - 5.00%	3,400,000	5,000,000	(1,600,000)
2003	3.50% - 4.375%	12,900,000	13,565,000	(665,000)
2004	3.50% - 4.25%	16,950,000	17,755,000	(805,000)
2005	4.00% - 4.75%	22,615,000	23,610,000	(995,000)
2007	3.778% - 4.350%	18,400,000	18,405,000	(5,000)
2008	3.50% - 4.00%	2,178,272	2,178,272	
		<u>\$ 77,243,272</u>	<u>\$ 82,113,272</u>	<u>\$ (4,870,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's total outstanding indebtedness currently does not exceed its debt limit. The debt limit is 10% of the full valuation of the taxable real property within the District.

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

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 19, 2009, for the year ending June 30, 2010, is \$201,876,771. This is an increase of \$5,688,471 or 2.9% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$1,241,963 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. Additionally, the designated fund balance of \$4,150,000 and reserves of \$1,250,000 applied to the June 30, 2010 budget was a \$1,760,052 increase over the prior year. An increase of 1.65% in property taxes and STAR was needed to cover the increase in projected expenditures.

**8. CONTACTING THE DISTRICT**

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

Mr. Victor Manuel  
Assistant Superintendent  
for Finance & Facilities  
Half Hollow Hills Central School District  
525 Half Hollow Road  
Dix Hills, New York 11746

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2009

**ASSETS**

Cash	\$ 47,941,624
Receivables	
Accounts receivable	103,905
Due from other funds	28,093
Due from other governments	5,192,971
Deferred expenditures, net	131,718
Inventories	95,454
Capital assets:	
Not being depreciated	13,948,164
Being depreciated, net of accumulated depreciation	<u>117,770,031</u>
 Total Assets	 <u><u>\$ 185,211,960</u></u>

**LIABILITIES**

Payables	
Accounts payable	\$ 2,094,372
Accrued liabilities	845,540
Due to other governments	1,399
Due to teachers' retirement system	7,724,375
Due to employees' retirement system	517,822
Deferred credits	
Deferred revenues	33,004
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	5,364,645
Compensated absences payable	1,000,000
Workers' compensation liabilities	648,705
Due and payable after one year	
Bonds payable, net	72,181,372
Compensated absences payable	12,219,166
Workers' compensation liabilities	1,246,556
Net other postemployment benefits obligation	<u>9,351,700</u>
 Total Liabilities	 <u><u>113,228,656</u></u>

**NET ASSETS**

Investment in capital assets, net of related debt	55,535,035
Restricted for debt service	269,814
Unrestricted	<u>16,178,455</u>
 Total Net Assets	 <u><u>71,983,304</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 185,211,960</u></u>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2009

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>PROGRAMS/FUNCTIONS</b>				
General support	\$ 23,397,743	\$	\$	\$ (23,397,743)
Instruction	159,272,132	1,141,755	4,170,696	(153,959,681)
Pupil transportation	16,807,867			(16,807,867)
Community service	178,488			(178,488)
Debt service - interest	3,886,632			(3,886,632)
Food service program	<u>2,818,982</u>	<u>2,501,992</u>	<u>706,964</u>	<u>389,974</u>
 Total Functions and Programs	 <u>\$ 206,361,844</u>	 <u>\$ 3,643,747</u>	 <u>\$ 4,877,660</u>	 <u>(197,840,437)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				151,639,761
Other tax items				12,459,875
Use of money and property				941,595
Forfeitures				1,500
Sale of property and compensation for loss				146,872
Miscellaneous				1,140,966
State sources				27,329,295
Medicaid reimbursement				<u>2,471</u>
 Total General Revenues				<u>193,662,335</u>
 Change in Net Assets				(4,178,102)
 Total Net Assets - Beginning of year				<u>76,161,406</u>
 Total Net Assets - End of year				<u>\$ 71,983,304</u>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2009

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 43,148,151	\$ 3,929	\$ 501,225	\$ 161,894	\$ 4,126,425	\$ 47,941,624
Receivables						
Accounts receivable	98,356		5,549			103,905
Due from other funds	2,188,110		4,880	244,702		2,437,692
Due from other governments	3,207,320	1,930,949	54,702			5,192,971
Inventories			95,454			95,454
<b>Total Assets</b>	<b>\$ 48,641,937</b>	<b>\$ 1,934,878</b>	<b>\$ 661,810</b>	<b>\$ 406,596</b>	<b>\$ 4,126,425</b>	<b>\$ 55,771,646</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 2,090,712	\$	\$ 3,660	\$	\$	\$ 2,094,372
Accrued liabilities	202,665	20,673	242			223,580
Due to other funds	4,221	1,912,430	95,833	136,782	260,333	2,409,599
Due to other governments			1,399			1,399
Due to teachers' retirement system	7,724,375					7,724,375
Due to employees' retirement system	517,822					517,822
Deferred credits						
Deferred revenues		1,775	31,229			33,004
<b>Total Liabilities</b>	<b>10,539,795</b>	<b>1,934,878</b>	<b>132,363</b>	<b>136,782</b>	<b>260,333</b>	<b>13,004,151</b>
<b>FUND BALANCES</b>						
Reserved for encumbrances	358,163				2,878,410	3,236,573
Reserved for:						
Workers' compensation	1,934,162					1,934,162
Unemployment insurance	237,296					237,296
Employee benefit accrued liability	12,318,160					12,318,160
Property loss	480,386					480,386
Liability	313,701					313,701
Retirement contribution	8,984,985					8,984,985
Inventory			95,454			95,454
Debt service				269,814		269,814
Reserves designated for subsequent year's expenditures	1,250,000					1,250,000
Unreserved - Designated for subsequent year's expenditures	4,150,000					4,150,000
Unreserved - Undesignated	8,075,289		433,993		987,682	9,496,964
<b>Total Fund Balances</b>	<b>38,102,142</b>	<b>-</b>	<b>529,447</b>	<b>269,814</b>	<b>3,866,092</b>	<b>42,767,495</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 48,641,937</b>	<b>\$ 1,934,878</b>	<b>\$ 661,810</b>	<b>\$ 406,596</b>	<b>\$ 4,126,425</b>	<b>\$ 55,771,646</b>



**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
June 30, 2009

Total Governmental Fund Balances	\$ 42,767,495
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) 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 Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	218,729,613	
Accumulated depreciation	<u>(87,011,418)</u>	
		131,718,195

The cost of refinancing bond issues is recorded as a deferred expenditure in the Statement of Net Assets and amortized over the remaining terms of the bond issue

Total deferred expenditure	142,689	
Accumulated amortization	<u>(10,971)</u>	
		131,718

Long-term liabilities, including bonds payable, 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:

Bonds payable, net	(77,546,017)	
Accrued interest on bonds payable	(621,960)	
Compensated absences payable	(13,219,166)	
Workers' compensation liabilities	(1,895,261)	
Net other postemployment benefits obligation	<u>(9,351,700)</u>	
		<u>(102,634,104)</u>

Total Net Assets	<u>\$ 71,983,304</u>
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**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2009

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 151,639,761	\$	\$	\$	\$	\$ 151,639,761
Other tax items	12,459,875					12,459,875
Charges for services	1,141,755					1,141,755
Use of money and property	888,554		912	52,129		941,595
Forfeitures	1,500					1,500
Sale of property and compensation for loss	146,872					146,872
Miscellaneous	1,140,966	14,273	1,387			1,156,626
Interfund revenues	43,253					43,253
State sources	27,323,851	1,317,470	56,721		5,444	28,703,486
Medicaid reimbursement	2,471					2,471
Federal sources		2,838,953	491,565			3,330,518
Surplus food			158,678			158,678
Sales - school lunch			2,500,605			2,500,605
<b>Total Revenues</b>	<b>194,788,858</b>	<b>4,170,696</b>	<b>3,209,868</b>	<b>52,129</b>	<b>5,444</b>	<b>202,226,995</b>
<b>EXPENDITURES</b>						
General support	18,396,755	43,254				18,440,009
Instruction	111,207,830	4,300,636				115,508,466
Pupil transportation	12,080,777	255,070				12,335,847
Community service	91,846					91,846
Employee benefits	38,424,982		238,215			38,663,197
Debt service						
Principal				4,870,000		4,870,000
Interest	565,927			3,491,082		4,057,009
Cost of sales			2,818,981			2,818,981
Capital outlay					5,979,479	5,979,479
<b>Total Expenditures</b>	<b>180,768,117</b>	<b>4,598,960</b>	<b>3,057,196</b>	<b>8,361,082</b>	<b>5,979,479</b>	<b>202,764,834</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>14,020,741</b>	<b>(428,264)</b>	<b>152,672</b>	<b>(8,308,953)</b>	<b>(5,974,035)</b>	<b>(537,839)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	288,765	428,264		8,236,547	882,000	9,835,576
Operating transfers (out)	(9,546,811)				(288,765)	(9,835,576)
<b>Total Other Financing Sources and (Uses)</b>	<b>(9,258,046)</b>	<b>428,264</b>	<b>-</b>	<b>8,236,547</b>	<b>593,235</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,762,695</b>	<b>-</b>	<b>152,672</b>	<b>(72,406)</b>	<b>(5,380,800)</b>	<b>(537,839)</b>
<b>Fund Balances - Beginning of year</b>	<b>33,339,447</b>	<b>-</b>	<b>376,775</b>	<b>342,220</b>	<b>9,246,892</b>	<b>43,305,334</b>
<b>Fund Balances - End of year</b>	<b>\$ 38,102,142</b>	<b>\$ -</b>	<b>\$ 529,447</b>	<b>\$ 269,814</b>	<b>\$ 3,866,092</b>	<b>\$ 42,767,495</b>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For The Year Ended June 30, 2009**

Net Change in Fund Balances \$ (537,839)

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 expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Increase in compensated absences payable	\$ (155,978)	
Increase in workers' compensation liabilities	(270,696)	
Increase in net other postemployment benefits obligation	<u>(9,351,700)</u>	
		(9,778,374)

Capital Related Differences

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

Capital outlays	7,770,675	
Depreciation expense	(6,636,719)	
Loss on disposition of assets	<u>(36,222)</u>	
		1,097,734

Long-Term Debt Transaction Differences

Amortization of deferred charges on refunding		151,373
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Amortization of deferred bond costs, net of premiums received related to the bond refinancing is recorded as an expenditure in the Statement of Activities.		(10,971)
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.		4,870,000
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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, 2008 to June 30, 2009.		<u>29,975</u>
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Change in Net Assets of Governmental Activities		<u>\$ (4,178,102)</u>
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**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets -**  
**Fiduciary Funds**  
June 30, 2009

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash	\$ 1,009,649	\$ 462,660
Total Assets	<u>\$ 1,009,649</u>	<u>\$ 462,660</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 285,478	\$
Due to other funds	28,093	
Other liabilities	<u>696,078</u>	
Total Liabilities	<u>\$ 1,009,649</u>	-
 <b>NET ASSETS</b>		
Reserved for scholarships		<u>462,660</u>
Total Liabilities and Net Assets		<u>\$ 462,660</u>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2009

	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions	\$ 3,287
Investment earnings	
Interest	<u>5,676</u>
Total Additions	<u>8,963</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>34,760</u>
Change in Net Assets	(25,797)
Net Assets - Beginning of year	<u>488,457</u>
Net Assets - End of Year	<u><u>\$ 462,660</u></u>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The financial reporting entity is based on criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units*. 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 which would be included in the District's reporting entity.

**Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Assets - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's business office.

**B. Joint Venture**

The District is one of 18 component school districts in the Second Supervisory District of the Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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**C. Basis of Presentation**

District-wide Financial Statements

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

The Statement of Net Assets 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 a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses, principally 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, contributions, and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

***Governmental Funds:***

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

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

***School Lunch Fund*** - is used to account for the activities of the school lunch operations.

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

***Capital Projects Fund*** - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

***Fiduciary Funds*** - are used to account for activities in which the District acts as trustee or agent 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. There are two classes of fiduciary funds:

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

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***Private Purpose Trust Funds*** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

***Agency Funds*** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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

The District-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. 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, 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 grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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, claims and judgments, compensated absences and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than October 15<sup>th</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Towns of Huntington and Babylon and remitted to the District from December to June.

Enforcement

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

**F. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets 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.



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

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**G. 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 the transfer of expenditure and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary 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 and interfund expenditure and revenue activity is provided subsequently in these Notes to Financial Statements.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

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

**J. Accounts Receivable**

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**K. Inventories and Prepaid Items**

Inventories of food in the school lunch 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. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Assets or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

**L. Capital Assets**

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 2,000	50 years
Site improvements	2,000	20 years
Furniture, equipment and vehicles	2,000	5-20 years

**M. Deferred Revenues**

Deferred revenues arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also 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. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

**N. Vested Employee Benefits – Compensated Absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of 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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the terms of the collective bargaining agreements and individual employment contracts in effect at year-end.

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

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

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**O. Other Benefits**

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. Survivors of retired employees reimburse the District for 100% of the cost. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid.

**P. Short-Term Debt**

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

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

**Q. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due and payable within one year or due and payable after one year in the Statement of Net Assets.

**R. Equity classifications**

District-wide statements

In the District-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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Restricted net assets – reports net assets when constraints placed on the assets 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 net assets – reports all other net assets that do not meet the definition of the above three classifications and are deemed to be available for general use by the District.

**Fund Statements**

Unreserved fund balance consists of two classifications. First, a designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. Second, the undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law §1318, as recently amended with an effective date of July 1, 2007, restricts the unreserved, undesignated fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

*Reserve for Encumbrances*

Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. The reserve is accounted for in the general and capital projects funds.

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Employee Benefit Accrued Liability Reserve*

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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.

*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. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund.

*Retirement Contribution Reserve*

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund.

*Reserve for Inventory*

Reserve for inventory is used to restrict that portion of fund balance, which is not available for appropriation. The reserve is accounted for in the school lunch fund.

*Reserve for Debt Service*

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the reserve for debt and held until appropriated for debt payments. The reserve is accounted for in the debt service fund.

*Reserve for Scholarships*

Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the private purpose trust fund.

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2009, the District implemented GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities, note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

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

Total fund balances of the District's governmental funds differ from net assets of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three 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 modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education 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 adopted at the program line item level.

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

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Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. 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 are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). 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 a supplemental appropriation in the amount of \$68,326 for contingent expenditures, which were funded by donations to the District.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. 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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

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

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2009, the District was billed \$8,046,037 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$806,155. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2009 consisted of:

General Fund	
New York State aid - excess cost aid	\$ 837,341
BOCES aid	373,690
Tuition and health services	949,251
Payment in lieu of taxes	<u>1,047,038</u>
	3,207,320
Special Aid Fund	
State and federal grants	1,930,949
School Lunch Fund	
State and federal food service program reimbursements	<u>54,702</u>
	<u>\$ 5,192,971</u>

**8. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,629,860	\$	\$	\$ 2,629,860
Construction in progress	<u>18,194,973</u>	<u>5,515,304</u>	<u>(12,391,973)</u>	<u>11,318,304</u>
Total capital assets not being depreciated	<u>20,824,833</u>	<u>5,515,304</u>	<u>(12,391,973)</u>	<u>13,948,164</u>
Capital assets being depreciated				
Buildings and improvements	173,726,352	12,924,836		186,651,188
Site improvements	4,074,906			4,074,906
Vehicles	3,442,261	580,023		4,022,284
Furniture and equipment	<u>9,264,770</u>	<u>1,142,485</u>	<u>(374,184)</u>	<u>10,033,071</u>
Total capital assets being depreciated	<u>190,508,289</u>	<u>14,647,344</u>	<u>(374,184)</u>	<u>204,781,449</u>
Less accumulated depreciation for:				
Buildings and improvements	71,784,466	4,823,566		76,608,032
Site improvements	1,340,397	215,097		1,555,494
Vehicles	2,128,078	347,446		2,475,524
Furniture and equipment	<u>5,459,720</u>	<u>1,250,610</u>	<u>(337,962)</u>	<u>6,372,368</u>
Total accumulated depreciation	<u>80,712,661</u>	<u>6,636,719</u>	<u>(337,962)</u>	<u>87,011,418</u>
	<u>109,795,628</u>	<u>8,010,625</u>	<u>(36,222)</u>	<u>117,770,031</u>
Capital assets, net	<u>\$ 130,620,461</u>	<u>\$ 13,525,929</u>	<u>\$ (12,428,195)</u>	<u>\$ 131,718,195</u>

Depreciation expense was charged to governmental functions as follows:



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

General support	\$ 308,593
Instruction	5,750,324
Pupil transportation	478,272
Community service	56,907
Food service program	42,623
	<u>          </u>
Total depreciation expense	<u><u>\$ 6,636,719</u></u>

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2009, are as follows:

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,188,110	\$ 4,221	\$ 288,765	\$ 9,546,811
Special Aid Fund		1,912,430	428,264	
School Lunch Fund	4,880	95,833		
Debt Service Fund	244,702	136,782	8,236,547	
Capital Projects Fund		260,333	882,000	288,765
Fiduciary Fund		28,093		
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u><u>\$ 2,437,692</u></u>	<u><u>\$ 2,437,692</u></u>	<u><u>\$ 9,835,576</u></u>	<u><u>\$ 9,835,576</u></u>

The District typically transfers from the general fund to the special aid fund and the capital projects fund in accordance with the general fund budget.

**10. SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Balance June 30, 2008	Issued	Redeemed	Balance June 30, 2009
TAN	6/30/09	3.679-3.709%	<u><u>\$ 40,000,000</u></u>	<u><u>\$</u></u>	<u><u>\$ (40,000,000)</u></u>	<u><u>\$</u></u>

Interest on short-term debt for the year was \$565,927.

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

**11. LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year are summarized below:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 82,113,272	\$	\$ (4,870,000)	\$ 77,243,272	\$ 5,213,272
Add: Deferred amounts on refunding	454,118		(151,373)	302,745	151,373
	<u>82,567,390</u>	<u>-</u>	<u>(5,021,373)</u>	<u>77,546,017</u>	<u>5,364,645</u>
Other long-term liabilities:					
Compensated absences	13,063,188	155,978		13,219,166	1,000,000
Workers' compensation	<u>1,624,565</u>	<u>785,336</u>	<u>(514,640)</u>	<u>1,895,261</u>	<u>648,705</u>
	<u>\$ 97,255,143</u>	<u>\$ 941,314</u>	<u>\$ (5,536,013)</u>	<u>\$ 92,660,444</u>	<u>\$ 7,013,350</u>

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

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2009
Serial Bonds				
Sunquam construction	1999	2010	4.00% - 4.10%	\$ 800,000
District-wide construction	2001	2021	4.25% - 5.00%	3,400,000
District-wide construction	2003	2023	3.50% - 4.375%	12,900,000
District-wide construction	2004	2024	3.50% - 4.25%	16,950,000
District-wide construction	2005	2025	4.00% - 4.75%	22,615,000
District-wide construction	2007	2021	3.778% - 4.350%	18,400,000
District-wide construction	2008	2023	3.50% - 4.00%	<u>2,178,272</u>
				<u>\$ 77,243,272</u>

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 5,213,272	\$ 3,294,895	\$ 8,508,167
2011	4,500,000	3,101,993	7,601,993
2012	4,555,000	2,921,561	7,476,561
2013	4,750,000	2,740,805	7,490,805
2014	4,885,000	2,528,905	7,413,905
2015-2019	27,185,000	9,285,506	36,470,506
2020-2024	24,260,000	3,160,936	27,420,936
2025	<u>1,895,000</u>	<u>90,013</u>	<u>1,985,013</u>
Total	<u>\$ 77,243,272</u>	<u>\$ 27,124,614</u>	<u>\$ 104,367,886</u>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Advance Refunding**

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Bonds outstanding in the amount of \$19,000,000 are considered defeased.

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

Interest paid	\$ 3,491,082
Less interest accrued in the prior year	(651,935)
Plus interest accrued in the current year	621,960
Plus amortization of closing costs (prepaid)	10,971
Less amortization of closing costs (deferral)	<u>(151,373)</u>
Total	<u>\$ 3,320,705</u>

**12. PENSION PLANS**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State and Local Employees' Retirement System (NYSERS). These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**B. Provisions and Administration**

Teachers' Retirement System

The NYSTRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the state of New York. The NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

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

The Systems are noncontributory for the employee except for those who joined the Systems after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

Year	NYSTRS	NYSERS
2009	\$ 6,568,109	\$ 1,658,761
2008	6,722,100	1,804,318
2007	6,340,247	2,016,912

**13. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The District provides post retirement medical, and Medicare Part B and prescription drug coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The District implemented GASB 45 prospectively in this transition year of implementation.

**B. Funding Policy**

The District assumes the full cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2009, the District recognized a general fund expenditure of approximately \$8,043,000 for insurance premiums for 917 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Annual required contribution (ARC)	\$ 17,394,700
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>17,394,700</u>
Contributions made	<u>(8,043,000)</u>
Increase in net OPEB obligation	9,351,700
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 9,351,700</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 is:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 17,394,700	46.2%	\$ 9,351,700

**D. Funded Status and Funding Progress**

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$214,385,800 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$214,385,800. The covered payroll (annual payroll of active employees covered by the plan) was \$107,495,233, and the ratio of the UAAL to the covered payroll was 199%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years and a 3.0% inflation rate. The UAAL is being amortized over 30 years using an interest rate equal to the funding rate of 4.5%. The remaining amortization period at June 30, 2009, was 29 years.

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

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. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

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

	<u>2008</u>	<u>2009</u>
Unpaid claims at beginning of year	\$ 1,686,126	\$ 1,624,565
Incurred claims and claim adjustment expenses	721,209	785,336
Claim payments	<u>(782,770)</u>	<u>(514,640)</u>
Unpaid claims at year end	<u>\$ 1,624,565</u>	<u>\$ 1,895,261</u>

**15. FUND BALANCES – UNRESERVED: DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES**

The amount of \$4,150,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2010.

**16. COMMITMENTS AND CONTINGENCIES**

**A. 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, will be immaterial.

**B. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

**C. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$265,612. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 259,933
2011	<u>22,836</u>
	<u>\$ 282,769</u>

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

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**17. SUBSEQUENT EVENTS**

On August 27, 2009, the District issued tax anticipation notes in the amount of \$33,400,000, which are due June 30, 2010, and bears interest at a rate of 2%.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 151,996,880	\$ 151,638,622	\$ 151,639,761	\$ 1,139
Other tax items	11,100,000	11,458,258	12,459,875	1,001,617
Charges for services	1,046,500	1,046,500	1,141,755	95,255
Use of money and property	836,000	836,000	888,554	52,554
Fofeitures			1,500	1,500
Sale of property and compensation for loss			146,872	146,872
Miscellaneous	350,000	418,326	1,140,966	722,640
Interfund revenues	10,000	10,000	43,253	33,253
Total Local Sources	165,339,380	165,407,706	167,462,536	2,054,830
State Sources	27,198,972	27,198,972	27,323,851	124,879
Medicaid Reimbursement	10,000	10,000	2,471	(7,529)
Total Revenues	192,548,352	192,616,678	194,788,858	2,172,180
<b>OTHER SOURCES</b>				
Operating transfers in			288,765	288,765
Total Revenues and Other Sources	192,548,352	192,616,678	195,077,623	\$ 2,460,945

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.



**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 112,830	\$ 112,830	\$ 105,584	\$	\$ 7,246
Central administration	515,491	543,111	534,145	1,279	7,687
Finance	1,528,995	1,513,729	1,497,623	2,909	13,197
Staff	958,925	943,626	837,336	28,282	78,008
Central services	14,378,939	14,376,975	13,665,696	90,650	620,629
Special items	1,683,823	1,756,470	1,756,371		99
Total General Support	19,179,003	19,246,741	18,396,755	123,120	726,866
Instruction					
Instruction, administration & improvement	7,582,807	7,675,578	7,502,973	33,568	139,037
Teaching - regular school	68,505,538	68,556,128	66,880,139	66,903	1,609,086
Programs for children with handicapping conditions	21,674,204	21,631,259	20,857,648	31,775	741,836
Occupational education	614,880	614,880	606,950		7,930
Teaching - special school	481,707	483,207	427,672		55,535
Instructional media	4,954,619	4,935,619	4,767,015	43,811	124,793
Pupil services	10,412,824	10,503,125	10,165,433	47,821	289,871
Total Instruction	114,226,579	114,399,796	111,207,830	223,878	2,968,088
Pupil Transportation	12,250,865	12,248,192	12,080,777	11,165	156,250
Community Services	75,500	91,935	91,846		89
Employee Benefits	39,871,373	39,864,938	38,424,982		1,439,956
Debt Service					
Interest	1,687,500	1,285,888	565,927		719,961
Total Expenditures	187,290,820	187,137,490	180,768,117	358,163	6,011,210
<b>OTHER USES</b>					
Operating transfers out	9,325,155	9,546,811	9,546,811		-
Total Expenditures and Other Uses	196,615,975	196,684,301	190,314,928	\$ 358,163	\$ 6,011,210
Net Change in Fund Balances	(4,067,623)	(4,067,623)	4,762,695		
Fund Balances - Beginning of Year	4,067,623	4,067,623	33,339,447		
Fund Balances - End of Year	\$ -	\$ -	\$ 38,102,142		

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
For The Year Ended June 30, 2009

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Actuarial Accrual Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2009	\$ -	\$ 214,385,800	\$ 214,385,800	0%	\$ 107,495,233	199%

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**And Use of Unreserved Fund Balance - General Fund**  
**For The Year Ended June 30, 2009**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 196,188,300
Additions:	
Prior year's encumbrances	<u>427,675</u>
Original Budget	196,615,975
Budget revisions	<u>68,326</u>
Final Budget	<u><u>\$ 196,684,301</u></u>

Next year's budget is a voter-approved budget of	<u><u>\$ 201,876,771</u></u>
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**USE OF UNRESERVED FUND BALANCE**

Unreserved Fund Balance -	
As of the beginning of the year	\$ 11,487,335
Less:	
Designated fund balance used for	
the levy of taxes - Adopted budget	<u>3,639,948</u>
Undesignated Fund Balance -	
As of the beginning of the year	<u><u>\$ 7,847,387</u></u>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2009

PROJECT TITLE	Budget		Expenditures		Unexpended		Methods of Financing			Fund	
	June 30, 2008	June 30, 2009	Prior Years	Current Year	Total	Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2009
<b>1998 - 99 Projects</b>											
Manasquan Roof Replacement	\$ 63,300	\$ 63,300	\$ 63,300	\$ -	\$ 63,300	\$ -	\$ -	\$ -	\$ 63,300	\$ 63,300	\$ -
FP Roof Replacement	141,744	141,744	141,744	-	141,744	-	-	-	141,744	141,744	-
Paum Cheney Replacement	26,681	26,681	26,681	-	26,681	-	-	-	26,681	26,681	-
Signal Hill Roof Replacement	164,031	164,031	164,031	-	164,031	-	-	-	164,031	164,031	-
Candlewood Gem Wall	108,621	108,621	108,621	-	108,621	-	-	-	108,621	108,621	-
West Hollow Air Conditioning	54,900	54,900	54,900	-	54,900	-	-	-	54,900	54,900	-
HSE Physics Lab	3,350	5,450	5,450	-	5,450	-	-	-	5,450	5,450	-
HSE Air Conditioning	111,003	111,040	111,040	-	111,040	-	-	-	111,040	111,040	-
HSW	1,500	1,500	1,500	-	1,500	-	-	-	1,500	1,500	-
HSW Stad Bleachers	160,488	160,488	160,488	-	160,488	-	-	-	160,488	160,488	-
HSW Locker Room Renov.	36,352	36,352	36,352	-	36,352	-	-	-	36,352	36,352	-
HSW Auditorium Dimmer Board	2,800	4,900	4,900	-	4,900	-	-	-	4,900	4,900	-
HSW New Natatorium Deck	49,629	49,629	49,629	-	49,629	-	-	-	49,629	49,629	-
HSW Nat Circ System	64,326	64,326	64,326	-	64,326	-	-	-	64,326	64,326	-
DW Asphalt/ Concrete Repair	44,473	36,000	36,000	-	36,000	-	-	-	36,000	36,000	-
<b>Total 1998 - 99 Projects</b>	<b>1,033,198</b>	<b>1,028,962</b>	<b>1,028,962</b>	<b>-</b>	<b>1,028,962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,028,962</b>	<b>1,028,962</b>	<b>-</b>
<b>1999 - 00 Projects</b>											
FP Renovations	438,538	438,538	438,538	-	438,538	-	-	-	438,538	438,538	-
Sunquam Playgroung	47,168	47,168	47,168	-	47,168	-	-	-	47,168	47,168	-
Candlewood Renovations	3,183	3,183	3,183	-	3,183	-	-	-	3,183	3,183	-
Candlewood Doors	99,990	5,502	5,502	-	5,502	-	-	-	5,502	5,502	-
West Hollow Renovations	404,332	404,332	404,332	-	404,332	-	-	-	404,332	404,332	-
HSE Renovations	413,228	413,228	413,228	-	413,228	-	-	-	413,228	413,228	-
hSEW Dugouts	29,050	29,050	29,050	-	29,050	-	-	-	29,050	29,050	-
DW Building Condition Surveys	36,400	36,400	36,400	-	36,400	-	-	-	36,400	36,400	-
<b>Total 1999-00 Projects</b>	<b>1,471,889</b>	<b>1,377,401</b>	<b>1,377,401</b>	<b>-</b>	<b>1,377,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,377,401</b>	<b>1,377,401</b>	<b>-</b>
<b>2000 - 01 Projects</b>											
FP Windows	205,238	205,238	205,238	-	205,238	-	-	-	205,238	205,238	-
Sunquam Walk Enclosure	145,644	145,644	145,644	-	145,644	-	-	-	145,644	145,644	-
West Hollow Roof Replacement	367,693	367,693	367,693	-	367,693	-	-	-	367,693	367,693	-
HSE Lecture Hall	80,192	80,192	80,192	-	80,192	-	-	-	80,192	80,192	-
DW Engineering Fees	169,050	10,584	10,584	-	10,584	-	-	-	10,584	10,584	-
<b>Total 2000 - 01 Projects</b>	<b>967,817</b>	<b>809,351</b>	<b>809,351</b>	<b>-</b>	<b>809,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>809,351</b>	<b>809,351</b>	<b>-</b>

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures - (Continued)**  
**Capital Projects Fund**  
For The Year Ended June 30, 2009

PROJECT TITLE	Budget June 30, 2008	Budget June 30, 2009	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2009
			Prior Years	Current Year			Total	State Aid	Local Sources	
2001 - 02 Projects										
Chestnut Hill Renovations	\$ 23,899	\$ 23,899	\$ 23,899	\$ -	\$ -	\$ -	\$ -	\$ 23,899	\$ 23,899	\$ -
Vanderbilt HVAC	23,883	23,883	23,883	-	-	-	-	23,883	23,883	-
West Hollow Lecture Hall	-	-	-	-	-	-	-	-	-	-
HSE Bleacher Replacement	132,803	132,803	132,803	-	-	-	-	132,803	132,803	-
HSW Track	69,095	69,095	69,095	-	-	-	-	69,095	69,095	-
HSW Firedoors	266,430	266,430	266,430	-	-	-	-	266,430	266,430	-
Bus Storage Facility	289,060	289,060	102,257	134,563	52,240	-	-	289,060	289,060	52,240
DW Interior Doors	-	-	-	-	-	-	-	-	-	-
DW HVAC	182,829	182,829	182,829	-	-	-	-	182,829	182,829	-
Total 2001 - 02 Projects	987,999	987,999	801,196	134,563	52,240	-	-	987,999	987,999	52,240
2002 - 03 Projects										
FP Renovations	-	-	-	-	-	-	-	-	-	-
HSE Bleachers	114,945	114,945	114,945	-	-	-	-	114,945	114,945	-
HSW Auditorium Air Conditioning	-	-	-	-	-	-	-	-	-	-
Bus Storage Facility	141,326	141,326	141,326	-	-	-	-	141,326	141,326	-
Pool Resurfacing	348,502	348,502	-	221,984	126,518	-	-	348,502	348,502	126,518
DW Door Safety	18,736	18,736	18,736	-	-	-	-	18,736	18,736	-
DW Door Safety	131,491	131,491	131,491	-	-	-	-	131,491	131,491	-
Total 2002 - 03 Projects	755,000	755,000	406,498	221,984	126,518	-	-	755,000	755,000	126,518
2003 - 04 Projects										
CH West Parking	470	470	470	-	-	-	-	470	470	-
HSE Track	110,638	110,638	110,638	-	-	-	-	110,638	110,638	-
HSE Doors	102,759	102,759	100,372	-	2,387	-	-	102,759	102,759	2,387
HSW Auditorium Seating	70,500	70,500	70,500	-	-	-	-	70,500	70,500	-
Bus Storage Facility	966,668	966,668	-	674,086	292,582	-	-	966,668	966,668	292,582
DW Projects	30,965	30,965	30,965	-	-	-	-	30,965	30,965	-
Total 2003 - 04 Projects	1,282,000	1,282,000	312,945	674,086	294,969	-	-	1,282,000	1,282,000	294,969
2004 - 05 Projects										
HSW Auditorium Lighting	53,297	53,297	53,297	-	-	-	-	53,297	53,297	-
Districtwide Project - TBD	554,340	554,340	466,863	-	87,477	-	-	554,340	554,340	87,477
HSE Science Rooms	474,363	474,363	-	-	474,363	-	-	474,363	474,363	474,363
Total 2004 - 05 Projects	1,082,000	1,082,000	520,160	-	561,840	-	-	1,082,000	1,082,000	561,840
2005 - 06 Projects										
HSE Lintel Replacement	187,400	164,347	5,260	155,740	3,347	-	-	164,347	164,347	3,347
HSW Concrete Work	267,500	639,701	12,134	7,900	619,667	-	-	639,701	639,701	619,667
DW Projects	427,100	77,952	77,952	-	-	-	-	77,952	77,952	-
Total 2005 - 06 Projects	882,000	882,000	95,346	163,640	623,014	-	-	882,000	882,000	623,014

PROJECT TITLE
2006 - 07 Projects
WH Audit Renovations
HSE Science Rooms
Total 2006 - 07 Projects
2007 - 08 Projects
PA Library
CW Security
WH Security
HSW Music lab
Total 2007 - 08 Projects
2008 - 09 Projects
WH Windows
WH Doors
Total 2008 - 09 Projects
Athletic Projects
CW Track
WH Courts
HSE Turf
HSW Turf
Total Athletic Projects
EXCEL Projects
CH Security
FP Security
OT Security
PA Security
SH Security
SQ Security
VA Security
CW Security
WH Windows/Doors
HSE Renovations
Total EXCEL Projects

EXCEL Projects									
CH Security	51,724	50,128	39,380	4,680	44,060	6,068	50,128	50,128	6,068
FP Security	51,723	50,128	39,380	5,750	45,130	4,998	50,128	50,128	4,998
OT Security	51,723	50,128	39,379	5,750	45,129	4,999	50,128	50,128	4,999
PA Security	49,683	50,128	39,379	5,750	45,129	4,999	50,128	50,128	4,999
SH Security	51,723	50,128	39,379	7,995	47,374	2,754	50,128	50,128	2,754
SQ Security	51,723	50,128	35,712	7,381	43,093	7,035	50,128	50,128	7,035
VA Security	51,723	50,128	35,712	8,986	44,698	5,430	50,128	50,128	5,430
CW Security	-	5,444	-	5,444	5,444	-	5,444	5,444	-
WH Windows/Doors	837,764	785,214	38,449	670,454	708,903	76,311	785,214	785,214	76,311
HSE Renovations	4,247,896	4,304,128	1,810,313	2,441,611	4,251,924	52,204	1,036,718	4,304,128	52,204
Total EXCEL Projects	5,445,682	5,445,682	2,117,083	3,163,801	5,280,884	164,798	2,178,272	5,445,682	164,798

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures - (Continued)**  
**Capital Projects Fund**  
For The Year Ended June 30, 2009

PROJECT TITLE	Budget		Expenditures		Unexpended		Methods of Financing			Fund	
	June 30, 2008	June 30, 2009	Prior Years	Current Year	Total	Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2009
Districtwide Bond											
Manasquan Windows	\$ 817,035	\$ 817,035	\$ 817,035	\$ -	\$ 817,035	\$ -	\$ 817,035	\$ -	\$ -	\$ 817,035	\$ -
Manasquan Boilers	338,711	338,711	338,711	-	338,711	-	338,711	-	-	338,711	-
Manasquan Site Work	205,902	205,902	205,902	-	205,902	-	205,902	-	-	205,902	-
Manasquan Road	291,824	291,824	291,824	-	291,824	-	291,824	-	-	291,824	-
CH Adds & Alts	4,162,253	4,162,253	3,998,502	129,279	4,127,781	34,472	4,162,253	-	-	4,162,253	34,472
CH Windows	552,678	552,678	552,678	-	552,678	-	552,678	-	-	552,678	-
CH Bathrooms	-	-	-	-	-	-	-	-	-	-	-
CH Roof	624,935	624,935	624,935	-	624,935	-	624,935	-	-	624,935	-
CH Boilers	356,484	356,484	356,484	-	356,484	-	356,484	-	-	356,484	-
FP Adds & Alts	1,268,740	1,268,740	1,262,752	-	1,262,752	5,988	1,268,740	-	-	1,268,740	5,988
FP Boilers	332,435	332,435	332,435	-	332,435	-	332,435	-	-	332,435	-
FP Site Work	607,164	607,164	607,164	-	607,164	-	607,164	-	-	607,164	-
FP Bathrooms	-	-	-	-	-	-	-	-	-	-	-
FP Electrical	-	-	-	-	-	-	-	-	-	-	-
FP Roof	481,083	481,083	481,083	-	481,083	-	481,083	-	-	481,083	-
FP Adds & Alts	3,961,441	3,961,441	3,741,399	125,905	3,867,304	94,137	3,961,441	-	-	3,961,441	94,137
OT Adds & Alts	2,619,619	2,619,619	2,611,710	-	2,611,710	7,909	2,619,619	-	-	2,619,619	7,909
OT Ceiling & Lighting	484,017	484,017	484,017	-	484,017	-	484,017	-	-	484,017	-
OT Bathrooms	77,440	77,440	77,440	-	77,440	-	77,440	-	-	77,440	-
OT Windows	759,508	759,508	759,508	-	759,508	-	759,508	-	-	759,508	-
OT Boilers	320,468	320,468	320,468	-	320,468	-	320,468	-	-	320,468	-
OT Roof	662,841	662,841	662,841	-	662,841	-	662,841	-	-	662,841	-
PA Adds & Alts	3,129,982	3,129,982	3,123,476	-	3,123,476	6,506	3,129,982	-	-	3,129,982	6,506
PA Windows & Doors	857,964	857,964	857,964	-	857,964	-	857,964	-	-	857,964	-
PA Ceiling & Lighting	287,567	287,567	287,567	-	287,567	-	287,567	-	-	287,567	-
PA Bathrooms	89,261	89,261	89,261	-	89,261	-	89,261	-	-	89,261	-
PA Boilers	327,261	327,261	327,261	-	327,261	-	327,261	-	-	327,261	-
PA Roof Phase II	284,037	284,037	284,037	-	284,037	-	284,037	-	-	284,037	-
SH Adds & Alts	2,899,777	2,899,777	2,894,190	-	2,894,190	5,587	2,899,777	-	-	2,899,777	5,587
SH Roof	298,668	298,668	298,668	-	298,668	-	298,668	-	-	298,668	-
SH Windows	786,307	786,307	786,307	-	786,307	-	786,307	-	-	786,307	-
SH Library	480,375	480,375	480,375	-	480,375	-	480,375	-	-	480,375	-
SH Bathrooms	90,611	90,611	90,611	-	90,611	-	90,611	-	-	90,611	-
SH Boilers	322,061	322,061	322,061	-	322,061	-	322,061	-	-	322,061	-
SQ Additions	4,803,429	4,803,429	4,791,612	-	4,791,612	11,817	4,803,429	-	-	4,803,429	11,817
VA Adds & Alts	4,007,076	4,007,076	3,874,794	124,456	3,999,250	7,826	4,007,076	-	-	4,007,076	7,826
VA Roof	643,914	643,914	644,450	-	644,450	(536)	643,914	-	-	643,914	(536)
VA Windows	544,562	544,562	544,562	-	544,562	-	544,562	-	-	544,562	-
VA Bathrooms	-	-	-	-	-	-	-	-	-	-	-
VA Boilers	335,034	335,034	335,034	-	335,034	-	335,034	-	-	335,034	-
CW Adds & Alts	21,926,413	21,926,413	21,840,993	-	21,840,993	85,420	21,926,413	-	-	21,926,413	85,420
CW Ceiling & Lighting	618,128	618,128	618,128	-	618,128	-	618,128	-	-	618,128	-
CW Windows & Doors	9,368	9,368	78,021	-	78,021	(68,653)	9,368	-	-	9,368	(68,653)
CW Doors	3,752	3,752	4,752	-	4,752	(1,000)	3,752	-	-	3,752	(1,000)
Sub-total	61,670,125	61,670,125	61,101,012	379,640	61,480,652	189,473	61,670,125	-	-	61,670,125	189,473

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures - (Continued)**  
**Capital Projects Fund**  
For The Year Ended June 30, 2009

PROJECT TITLE	Budget June 30, 2008	Budget June 30, 2009	Expenditures		Unexpended Balance	Methods of Financing			Fund Balance June 30, 2009
			Prior Years	Current Year		Proceeds of Obligations	State Aid	Local Sources	
Districtwide Bond (Continued)									
WH Adds & Alts	\$ 4,407,349	\$ 4,407,349	\$ 4,407,349	\$ -	\$ -	\$ 4,407,349	\$ -	\$ -	\$ -
WH Ceiling & Lighting	1,002,064	1,002,064	1,002,064	-	-	1,002,064	-	-	-
WH Boilers	620,387	620,387	620,387	-	-	620,387	-	-	-
WH Bathrooms	144,049	144,049	144,049	-	-	144,049	-	-	-
WH Windows & Doors	6,151	6,151	6,151	-	-	6,151	-	-	-
HSE Adds & Alts	5,284,562	5,284,562	5,180,944	94,254	9,364	5,284,562	-	-	9,364
HSE Roof	2,570,164	2,570,164	2,570,164	-	-	2,570,164	-	-	-
HSE Boiler	1,138,038	1,138,038	1,138,038	-	-	1,138,038	-	-	-
HSE Ceilings	1,317,844	1,317,844	1,317,844	-	-	1,317,844	-	-	-
HSE Bathrooms	873,802	873,802	23,802	-	850,000	873,802	-	-	850,000
HSE Windows & Doors	-	-	-	-	-	-	-	-	-
HSE HVAC	824,549	824,549	824,549	-	-	824,549	-	-	-
HSW Adds & Alts	13,466,165	13,466,165	13,455,113	-	11,052	13,466,165	-	-	11,052
HSW Roof	807,007	807,007	807,007	-	-	807,007	-	-	-
HSW Windows & Doors	-	-	-	-	-	-	-	-	-
HSW Portables	-	-	-	-	-	-	-	-	-
Natatorium Renovations	3,488	3,488	3,488	-	-	3,488	-	-	-
Natatorium Roof	179,588	179,588	179,588	-	-	179,588	-	-	-
Natatorium Bathrooms	-	-	-	-	-	-	-	-	-
Natatorium Boilers	630,203	630,203	630,203	-	-	630,203	-	-	-
DW Security	48,018	48,018	48,018	-	-	48,018	-	-	-
DW Security	6,447	6,447	-	-	6,447	6,447	-	-	6,447
Total Districtwide Projects	95,000,000	95,000,000	93,459,770	473,894	1,066,336	95,000,000	-	-	1,066,336
Totals	\$ 113,871,586	\$ 114,496,396	\$ 104,650,825	\$ 5,979,479	\$ 3,866,092	\$ 97,178,272	\$ 3,267,410	\$ 14,050,714	\$ 3,866,092



**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Schedule of Certain Revenues and Expenditures**  
**Compared to ST-3 Data**  
For The Year Ended June 30, 2009

	<u>Audited Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real Property Taxes	A -1001	\$ 151,639,761	\$ 151,639,761
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	27,323,851	27,323,851
Federal Aid - Medicaid Reimbursements	AT-4999	2,471	2,471
Total Revenues	AT-5999	195,077,623	195,077,623
<b>EXPENDITURES</b>			
General Support	AT-1999	18,396,755	18,396,755
Pupil Transportation	AT-5599	12,080,777	12,080,777
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	565,927	565,927
Total Expenditures	AT-9999	190,314,928	190,314,928

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT**  
**Investment in Capital Assets, Net of Related Debt**  
For The Year Ended June 30, 2009

Capital assets, net	<u>\$ 131,718,195</u>
Add:	
Unamortized bond issuance costs	<u>131,718</u>
Deduct:	
Short-term portion of bonds payable	(5,364,645)
Long-term portion of bonds payable	(72,181,372)
Less:	
Unspent bond proceeds	<u>1,231,139</u>
	<u>(76,314,878)</u>
Investment in capital assets, net of related debt	<u><u>\$ 55,535,035</u></u>

**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 the financial statements of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 1, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Half Hollow Hills Central School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Half Hollow Hills Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Half Hollow Hills Central School District in a separate letter dated October 1, 2009.

This report is intended solely for the use and information of the Board of Education, Audit Committee and management of the Half Hollow Hills Central School District, and is not intended to be and should not be used by anyone other than these specified parties.

*Coughlin Foundatos Cullen Demowski, LLP*

October 1, 2009

