



**HALF HOLLOW HILLS
CENTRAL SCHOOL DISTRICT**

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

June 30, 2020

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 53 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Half Hollow Hills Central School District's basic financial statements. The other supplementary information on pages 58 through 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 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 effectiveness of the Half Hollow Hills Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Half Hollow Hills Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 26, 2020

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

The Half Hollow Hills Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020 in comparison with the year ended June 30, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

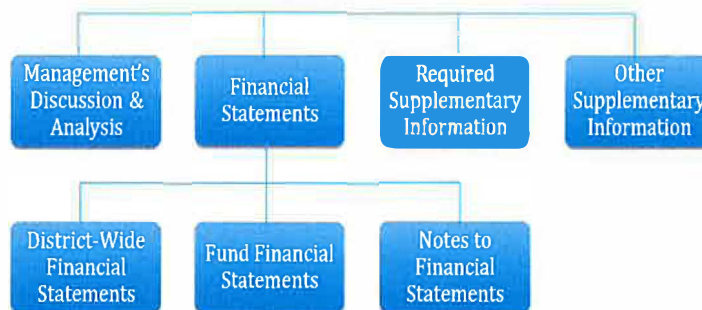
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$17,451,364. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting. The total net position (deficit) at June 30, 2020 is \$(297,761,107).
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$275,585,828. Of this amount, \$8,269,847 was offset by program charges for services and operating grants. General revenues of \$249,864,617 amount to 96.8% of total revenues and did not cover the balance of program expenses.
- The general fund's total fund balance, including restricted, assigned and unassigned balances, increased by \$8,497,765 to \$58,343,025. As of June 30, 2020, the unassigned fund balance of \$10,584,509 is 4% of the voter approved 2020-2021 budget and is in compliance with §1318 of the New York State Real Property Tax Law.
- The District's 2020 property tax levy of \$209,530,377 was a 2.49% increase over the 2019 tax levy and was equal to the property tax cap.
- The budget for the 2020-2021 school year in the amount of \$264,612,680 was approved by the voters on June 9, 2020.
- The District aggressively and consistently managed its expenses throughout the year to ensure its year-end results created a strong foundation for entering into the 2020-2021 school year, knowing that the District would be under even further financial constraints, as employee benefit costs continue to rise and property tax increases are limited by the property tax cap. These constraints create a challenging financial environment for the District.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. District-wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, the reader may better

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

understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school food service 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 and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) increased by \$17,451,364 between fiscal year 2020 and 2019. The increase is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2020	2019	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 96,405,499	\$ 90,880,504	\$ 5,524,995	6.08 %
Capital Assets, Net	101,300,537	101,039,606	260,931	0.26 %
Net Pension Asset - Proportionate Share	14,975,656	10,534,364	4,441,292	42.16 %
Total Assets	212,681,692	202,454,474	10,227,218	5.05 %
Deferred Outflows of Resources	89,225,405	62,946,166	26,279,239	41.75 %
Liabilities				
Current and Other Liabilities	14,233,223	17,872,448	(3,639,225)	(20.36)%
Long-Term Liabilities	62,903,675	69,035,482	(6,131,807)	(8.88)%
Net Pension Liability - Proportionate Share	26,073,366	7,035,694	19,037,672	270.59 %
Total OPEB Obligation	432,871,687	407,435,495	25,436,192	6.24 %
Total Liabilities	536,081,951	501,379,119	34,702,832	6.92 %
Deferred Inflows of Resources	63,586,253	44,331,264	19,254,989	43.43 %
Net Position (Deficit)				
Net Investment in Capital Assets	75,342,106	71,264,551	4,077,555	5.72 %
Restricted	42,839,136	37,371,553	5,467,583	14.63 %
Unrestricted (Deficit)	(415,942,349)	(388,945,847)	(26,996,502)	6.94 %
Total Net Position (Deficit)	\$ (297,761,107)	\$ (280,309,743)	\$ (17,451,364)	6.23 %

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

The increase in current and other assets was primarily due to increases in the District cash position, amounts due from state and federal and amounts due from other governments. These increases were offset by decreases in accounts receivable and amounts due from fiduciary funds.

The increase in capital assets net is attributable to capital improvement expenditures and equipment purchases in excess of depreciation expense. In the accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

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

Current and other liabilities decreased as compared to the prior year. This decrease is primarily due to decreases in accounts payable, accrued liabilities and amounts due to teachers' retirement systems. The decrease in accounts payable is the result of the timing of when invoices are processed for payment and the decrease in the amount due to the teachers' retirement system is the result of a decrease in the required contribution rate in the current year to 8.86% from 10.62% in the prior year.

The decrease in long-term liabilities is primarily the result of the repayment of the current year maturity of bond indebtedness and installment purchase debt, and the amortization of bond premiums, offset by an increase in the liability for compensated absences. The accompanying Notes to Financial Statements, Note 12, "Long-Term Liabilities", provides additional information.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased, based on an actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This amount increased over the prior year. The increase to the restricted amount is due to Board approved additions and interest earnings, net of the use of restricted amounts to pay current period expenses.

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

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

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements 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, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,571,249	\$ 3,722,688	\$ (1,151,439)	(30.93)%
Operating Grants	5,698,598	5,496,564	202,034	3.68 %
General Revenues				
Property Taxes and STAR	209,531,009	204,453,969	5,077,040	2.48 %
State Sources	32,221,072	32,568,145	(347,073)	(1.07)%
Other	8,112,536	7,841,687	270,849	3.45 %
Total Revenues	<u>258,134,464</u>	<u>254,083,053</u>	<u>4,051,411</u>	1.59 %
Expenses				
General Support	28,837,074	27,387,941	1,449,133	5.29 %
Instruction	228,115,920	209,608,923	18,506,997	8.83 %
Pupil Transportation	13,882,814	17,105,291	(3,222,477)	(18.84)%
Community Service	48,890	155,964	(107,074)	(68.65)%
Debt Service - Interest	1,730,297	1,864,834	(134,537)	(7.21)%
Food Service Program	2,970,833	3,204,230	(233,397)	(7.28)%
Total Expenses	<u>275,585,828</u>	<u>259,327,183</u>	<u>16,258,645</u>	6.27 %
Decrease in Net Position	<u>\$ (17,451,364)</u>	<u>\$ (5,244,130)</u>	<u>\$ (12,207,234)</u>	232.78 %

The change in net position represents the District's operating profit (loss) using the economic resources measurement focus and the accrual basis of accounting. For the year ended June 30, 2020, the loss was \$17,451,364 compared to a \$5,244,130 loss in the prior year.

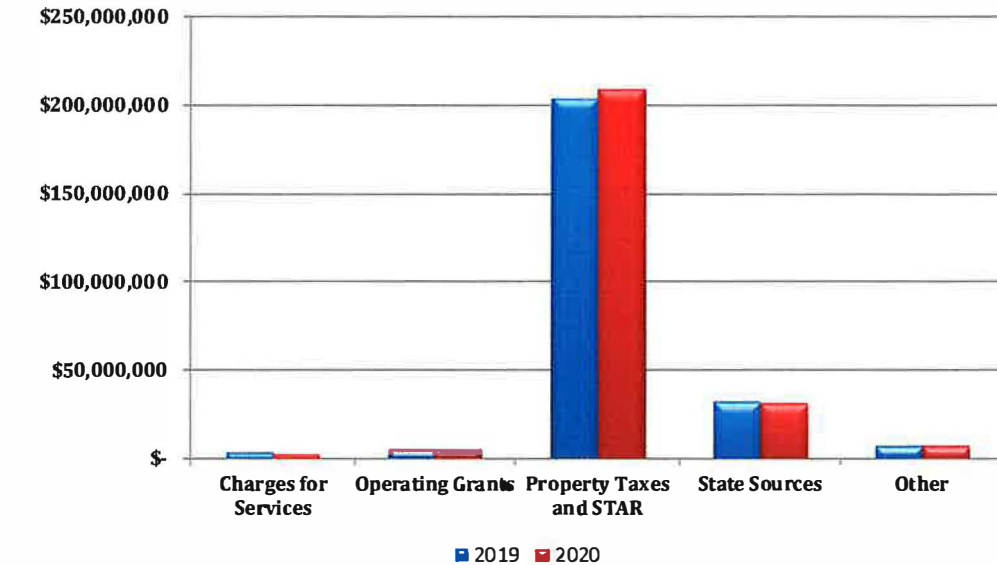
Revenues increased by \$4,051,411 or 1.59%, as compared to the prior year. The increase was the result of increases in property taxes and STAR, offset by a decrease in charges for services. The increase in property taxes and STAR was part of the 2019-2020 voter-approved budget. The decrease in charges for services was primarily due to a \$738,648 decrease in sales in the food service program as a result of the switch to virtual learning due to COVID-19.

The District's expenses for the year increased by \$16,258,645 or 6.27%. This was primarily the result of increases in instruction and general support, offset by a decrease in pupil transportation. Instruction and general support increased due to the impact of the net change in the actuarially determined pension expenses for TRS and ERS, as well as the increase in other postemployment benefits costs allocated. Pupil transportation expenses decreased due to the impact of COVID-19, which led to extended school closures and the implementation of virtual learning.

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

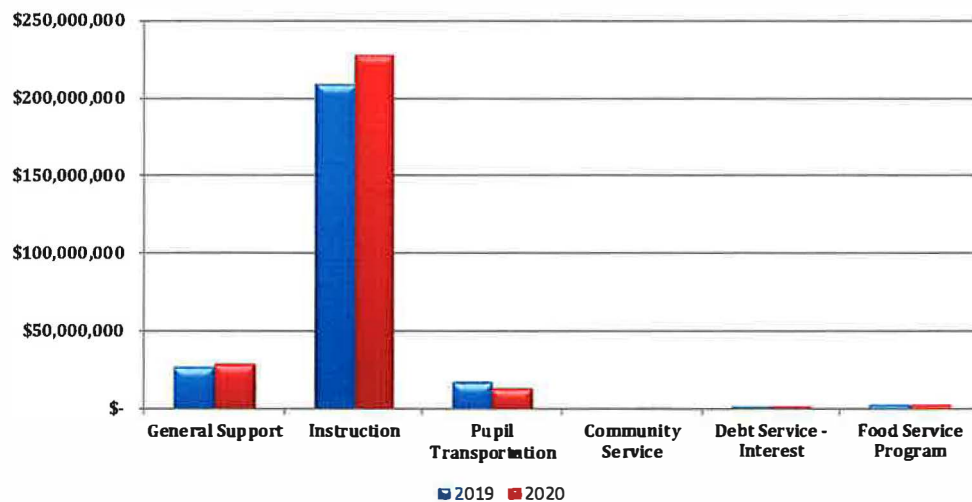
As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 81.2% and 80.5% of the total for the years 2020 and 2019, respectively). Instruction expense is the largest category of expenses incurred (i.e., 82.8% and 80.8% of the total for the years 2020 and 2019, respectively).

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2019	1.5%	2.2%	80.5%	12.8%	3.0%
2020	1.0%	2.2%	81.2%	12.5%	3.1%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2019	10.6%	80.8%	6.6%	0.1%	0.7%	1.2%
2020	10.5%	82.8%	5.0%	0.0%	0.6%	1.1%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$79,248,582, which is an increase of \$6,927,718 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	\$ 6,385,817	\$ 6,217,631	\$ 168,186
Unemployment insurance	2,877,573	2,895,815	(18,242)
Retirement contribution			
Teachers' retirement system	1,819,740	1,800,000	19,740
Employees' retirement system	15,756,014	9,190,001	6,566,013
Property loss	508,765	503,246	5,519
Liability	18,854	18,650	204
Employee benefit accrued liability	14,584,164	15,514,028	(929,864)
Assigned:			
Appropriated fund balance	4,789,345	2,500,000	2,289,345
Unappropriated fund balance	1,018,244	811,532	206,712
Unassigned: Fund balance	10,584,509	10,394,357	190,152
	<u>58,343,025</u>	<u>49,845,260</u>	<u>8,497,765</u>
 School Food Service Fund			
Nonspendable: Inventory	70,998	43,150	27,848
Assigned: Unappropriated fund balance		6,381	(6,381)
	<u>70,998</u>	<u>49,531</u>	<u>21,467</u>
 Debt Service Fund			
Restricted: Debt service	<u>888,209</u>	<u>1,232,182</u>	<u>(343,973)</u>
 Capital Projects Fund			
Restricted: Unspent bond proceeds	10,375,645	13,239,866	(2,864,221)
Assigned: Unappropriated fund balance	9,570,705	7,954,025	1,616,680
	<u>19,946,350</u>	<u>21,193,891</u>	<u>(1,247,541)</u>
 Total Fund Balance	<u>\$ 79,248,582</u>	<u>\$ 72,320,864</u>	<u>\$ 6,927,718</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$8,497,765 compared to an increase of \$3,473,825 in 2019. This resulted from revenues and other sources in excess of expenditures and other uses.

The District's revenues and other financing sources increased by \$847,181 or 0.34%, as compared to the prior year. This increase is primarily attributable to increases in property taxes, offset by decreases in other tax items, miscellaneous and state sources. The increase in property taxes is due to an increase in the tax levy in accordance with the 2019-2020 budget. The decrease in other tax items is due to a decrease in STAR

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

and the timing of PILOT payments made during the prior year and current year from the Suffolk County Industrial Development Agency.

Expenditures and other financing uses decreased by \$4,176,759 or 1.71% over the prior year. This decrease was primarily due to decreases in pupil transportation and operating transfers out, offset by an increase in instruction. Significant savings of approximately \$3,500,000 was realized in pupil transportation due to the extended closures during the COVID-19 Pandemic.

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

	Balance @ June 30, 2019	Use of Reserves	Interest	Funding	Balance @ June 30, 2020	Appropriated for June 30, 2021
Workers' compensation	\$ 6,217,631	\$ (900,000)	\$ 68,186	\$ 1,000,000	\$ 6,385,817	\$ 900,000
Unemployment insurance	2,895,815	(50,000)	31,758		2,877,573	50,000
Retirement contribution						
TRS	1,800,000	(1,800,000)	19,740	1,800,000	1,819,740	1,800,000
ERS	9,190,001	(3,150,000)	100,783	9,615,230	15,756,014	3,150,000
Property loss	503,246		5,519		508,765	
Liability	18,650		204		18,854	
EBALR	15,514,028	(1,100,000)	170,136		14,584,164	1,100,000
	<u>\$ 36,139,371</u>	<u>\$ (7,000,000)</u>	<u>\$ 396,326</u>	<u>\$ 12,415,230</u>	<u>\$ 41,950,927</u>	<u>\$ 7,000,000</u>

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$21,467. The general fund transferred \$712,729 to the fund to eliminate the current year operating deficit. This deficit is directly attributable to a decrease in sales revenue due to the extended closures during the COVID-19 Pandemic.

C. Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$343,973. The District transferred \$350,000 of premiums from the previously issued Library serial bonds to the general fund to offset debt payments. This transfer was offset by interest earned in the fund of \$6,027 during the 2019-2020 school year.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$1,247,541, due to expenditures incurred during the year on capital projects of \$6,057,541, offset by an interfund transfer from the general fund of \$4,800,000 and miscellaneous revenues of \$10,000.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Budget

The District's general fund adopted budget for the year ended June 30, 2020 was \$259,858,929. This amount was increased by encumbrances carried forward from the prior year in the amount of \$811,532 and budget revisions of \$79,623, for a total final budget of \$260,750,084.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$209,530,378 in estimated property taxes and STAR.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 10,394,357
Revenues Under Budget	(1,242,344)
Expenditures and Encumbrances Under Budget	19,033,397
Allocation to Reserves	(12,811,556)
Appropriated to the June 30, 2021 Budget	<u>(4,789,345)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 10,584,509</u></u>

Opening, Unassigned Fund Balance

The \$10,394,357 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned.

Revenues Under Budget

The District's 2019-2020 final budget for revenues was \$250,438,552. Actual revenues recognized for the year were \$1,242,344 less than budgeted revenues. This change contributes directly to the change in general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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

Expenditures and Encumbrances Under Budget

The 2019-2020 final budget for expenditures was \$260,750,084. Actual expenditures as of June 30, 2020 were \$240,698,443 and outstanding encumbrances were \$1,018,244. The final budget variance was \$19,033,397, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$4,789,345 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2020 was \$10,584,509. This amount equals 4.0% of the 2020-2021 budget and is at the statutory limit.

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

A. Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$7,874,420 in excess of depreciation expense of \$7,613,489 recorded for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 2,629,860	\$ 2,629,860	\$ -
Construction in progress	8,743,340	3,898,503	4,844,837
Buildings and improvements	81,422,689	85,644,297	(4,221,608)
Site improvements	2,166,422	2,475,490	(309,068)
Vehicles	1,669,237	1,540,614	128,623
Furniture and equipment	4,668,989	4,850,842	(181,853)
Capital assets, net	<u>\$ 101,300,537</u>	<u>\$ 101,039,606</u>	<u>\$ 260,931</u>

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

B. Debt Administration

At June 30, 2020, the District had total bonds payable (par value) of \$32,015,000. The bonds were issued for school building improvements, the refunding of bonds originally issued for school building improvements and Library construction and improvements. The District also had installment purchase debt outstanding of \$4,319,076 related to an energy performance contract. The decrease in outstanding debt represents current year principal payments. A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
Bonds Payable				
3/27/2007	3.78% - 4.35%	\$ 1,935,000	\$ 3,870,000	\$ (1,935,000)
5/1/2008	3.50% - 4.00%	560,000	735,000	(175,000)
4/11/2013	3.00% - 5.00%	11,170,000	13,495,000	(2,325,000)
4/11/2013	2.00% - 5.00%	5,150,000	6,305,000	(1,155,000)
2/6/2019	1.55% - 5.00%	13,200,000	13,695,000	(495,000)
		<u>\$ 32,015,000</u>	<u>\$ 38,100,000</u>	<u>\$ (6,085,000)</u>
Installment Purchase Debt				
12/7/2010	2.89%	<u>\$ 4,319,076</u>	<u>\$ 4,914,921</u>	<u>\$ (595,845)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2020 are approximately 1.50% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences	\$ 22,264,975	\$ 21,064,241	\$ 1,200,734
Workers' compensation liabilities	2,879,016	3,099,496	(220,480)
Net Pension liability - proportionate share	26,073,366	7,035,694	19,037,672
Total OPEB obligation	<u>432,871,687</u>	<u>407,435,495</u>	<u>25,436,192</u>
	<u>\$ 484,089,044</u>	<u>\$ 438,634,926</u>	<u>\$ 45,454,118</u>

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

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on June 9, 2020, for the year ending June 30, 2021, is \$264,612,680. This is an increase of \$4,753,751 or 1.83% over the previous year's budget. The increase is principally in the instruction and pupil transportation areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$1,705,250 decrease. This decrease is principally due to an estimated decrease in revenue from state sources. The assigned, appropriated fund balance applied to the budget in the amount of \$4,789,345 is an increase of \$2,289,345 over the previous year. Additionally, the District has elected to appropriate \$7,000,000 of reserves towards the next year's budget, which was the same amount as the previous year. A property tax levy increase of \$4,169,656 (1.99%), levy to levy, was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Future Budgets

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2020-2021 property tax increase of 1.99% was less than the tax cap and did not require an override vote.

8. CONTACTING THE DISTRICT

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

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

ASSETS

Cash	
Unrestricted	\$ 33,088,331
Restricted	53,214,781
Receivables	
Accounts receivable	113,606
Taxes receivable	40,036
Due from state and federal	6,094,975
Due from other governments	3,782,772
Inventories	70,998
Capital assets:	
Not being depreciated	11,373,200
Being depreciated, net of accumulated depreciation	89,927,337
Net pension asset - proportionate share	<u>14,975,656</u>
Total Assets	<u>212,681,692</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on advance refunding of bonds	308,980
Pensions	66,847,026
Other postemployment benefits	<u>22,069,399</u>
Total Deferred Outflows of Resources	<u>89,225,405</u>

LIABILITIES

Payables	
Accounts payable	2,207,822
Accrued liabilities	535,977
Due to fiduciary funds	60,583
Due to teachers' retirement system	9,086,704
Due to employees' retirement system	1,400,518
Compensated absences payable	715,366
Unearned credits - Collections in advance	226,253
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	6,636,713
Installment purchase debt payable	613,189
Compensated absences payable	1,100,000
Workers' compensation liabilities	900,000
Due and payable after one year	
Bonds payable, net	26,803,895
Installment purchase debt payable	3,705,887
Compensated absences payable	21,164,975
Workers' compensation liabilities	1,979,016
Net pension liability - proportionate share	26,073,366
Total other postemployment benefits liability	<u>432,871,687</u>
Total Liabilities	<u>536,081,951</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	20,830,236
Other postemployment benefits	<u>42,756,017</u>
Total Deferred Inflows of Resources	<u>63,586,253</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>75,342,106</u>
Restricted	
Workers' compensation	6,385,817
Unemployment insurance	2,877,573
Retirement contribution	
Teachers' retirement system	1,819,740
Employees' retirement system	15,756,014
Property loss	508,765
Liability	18,854
Employee benefit accrued liability	14,584,164
Debt service	888,209
	<u>42,839,136</u>
Unrestricted (Deficit)	<u>(415,942,349)</u>
Total Net Position (Deficit)	<u>\$ (297,761,107)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2020

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 28,837,074	\$	\$	\$ (28,837,074)
Instruction	228,115,920	1,183,646	4,801,615	(222,130,659)
Pupil transportation	13,882,814			(13,882,814)
Community service	48,890			(48,890)
Debt service - interest	1,730,297			(1,730,297)
Food service program	<u>2,970,833</u>	<u>1,387,603</u>	<u>896,983</u>	<u>(686,247)</u>
Total Functions and Programs	<u>\$ 275,585,828</u>	<u>\$ 2,571,249</u>	<u>\$ 5,698,598</u>	<u>(267,315,981)</u>
GENERAL REVENUES				
Real property taxes				200,762,201
Other tax items				13,410,078
Use of money and property				1,730,987
Sale of property and compensation for loss				320,005
Miscellaneous				1,250,535
State sources				32,221,072
Medicaid reimbursement				<u>169,739</u>
Total General Revenues				<u>249,864,617</u>
Change in Net Position				(17,451,364)
Total Net Position (Deficit) - Beginning of Year				<u>(280,309,743)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (297,761,107)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 23,065,406	\$ 103,066	\$ 327,843	\$	\$ 9,592,016	\$ 33,088,331
Restricted	42,332,681			506,455	10,375,645	53,214,781
Receivables						
Accounts receivable	113,606					113,606
Taxes receivable	40,036					40,036
Due from other funds	3,328,016			381,754		3,709,770
Due from state and federal	2,741,165	3,049,963	53,847		250,000	6,094,975
Due from other governments	3,782,772					3,782,772
Inventories			70,998			70,998
Total Assets	<u>\$ 75,403,682</u>	<u>\$ 3,153,029</u>	<u>\$ 452,688</u>	<u>\$ 888,209</u>	<u>\$ 20,217,661</u>	<u>\$ 100,115,269</u>
LIABILITIES						
Payables						
Accounts payable	\$ 2,204,302	\$	\$ 3,520	\$	\$	\$ 2,207,822
Accrued liabilities	265,084					265,084
Due to other funds	444,096	3,126,708	178,238		21,311	3,770,353
Due to teachers' retirement system	9,086,704					9,086,704
Due to employees' retirement system	1,400,518					1,400,518
Compensated absences payable	715,366					715,366
Unearned credits						
Collections in advance		26,321	199,932			226,253
Total Liabilities	<u>14,116,070</u>	<u>3,153,029</u>	<u>381,690</u>	<u>-</u>	<u>21,311</u>	<u>17,672,100</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>2,944,587</u>				250,000	3,194,587
FUND BALANCES						
Nonspendable: Inventories			70,998			70,998
Restricted:						
Workers' compensation	6,385,817					6,385,817
Unemployment insurance	2,877,573					2,877,573
Retirement contribution						
Teachers' retirement system	1,819,740					1,819,740
Employees' retirement system	15,756,014					15,756,014
Property loss	508,765					508,765
Liability	18,854					18,854
Employee benefit accrued liability	14,584,164					14,584,164
Debt service				888,209		888,209
Unspent bond proceeds					10,375,645	10,375,645
Assigned:						
Appropriated fund balance	4,789,345					4,789,345
Unappropriated fund balance	1,018,244				9,570,705	10,588,949
Unassigned: Fund balance	<u>10,584,509</u>					<u>10,584,509</u>
Total Fund Balances	<u>58,343,025</u>	<u>-</u>	<u>70,998</u>	<u>888,209</u>	<u>19,946,350</u>	<u>79,248,582</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 75,403,682</u>	<u>\$ 3,153,029</u>	<u>\$ 452,688</u>	<u>\$ 888,209</u>	<u>\$ 20,217,661</u>	<u>\$ 100,115,269</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total Governmental Fund Balances \$ 79,248,582

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

The costs 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 Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 262,817,775	
Less: Accumulated depreciation	<u>(161,517,238)</u>	101,300,537

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligation and are not reported in the funds.

Net pension asset - teachers' retirement system	14,975,656	
Deferred outflows of resources	66,847,026	
Net pension liability - employees' retirement system	(26,073,366)	
Deferred inflows of resources	<u>(20,830,236)</u>	34,919,080

Deferred charges on the advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	1,978,446	
Less: Accumulated amortization	<u>(1,669,466)</u>	308,980

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	22,069,399	
Total other postemployment benefits obligation	(432,871,687)	
Deferred inflows of resources	<u>(42,756,017)</u>	(453,558,305)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

3,194,587

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(270,893)	
Bonds payable, net	(33,440,608)	
Installment purchase debt payable	(4,319,076)	
Compensated absences payable	(22,264,975)	
Workers' compensation liabilities	<u>(2,879,016)</u>	(63,174,568)

Total Net Position (Deficit)		<u><u>\$ (297,761,107)</u></u>
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HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 200,762,201	\$	\$	\$	\$	\$ 200,762,201
Other tax items	11,560,078					11,560,078
Charges for services	1,225,869					1,225,869
Use of money and property	1,719,841		5,119	6,027		1,730,987
Sale of property and compensation for loss	320,005					320,005
Miscellaneous	1,240,535	5,360	49,607		10,000	1,305,502
State sources	31,847,940	2,210,679	33,456			34,092,075
Medicaid reimbursement	169,739					169,739
Federal sources		2,585,576	863,527			3,449,103
Sales			1,337,996			1,337,996
Total Revenues	248,846,208	4,801,615	2,289,705	6,027	10,000	255,953,555
EXPENDITURES						
General support	20,678,318					20,678,318
Instruction	136,110,191	4,995,637				141,105,828
Pupil transportation	11,251,880	497,242				11,749,122
Community service	29,446					29,446
Employee benefits	57,680,367		449,655			58,130,022
Debt service						
Principal				6,680,845		6,680,845
Interest	346,819			1,716,584		2,063,403
Food service program			2,531,312			2,531,312
Capital outlay					6,057,541	6,057,541
Total Expenditures	226,097,021	5,492,879	2,980,967	8,397,429	6,057,541	249,025,837
Excess (Deficiency) of Revenues Over Expenditures	22,749,187	(691,264)	(691,262)	(8,391,402)	(6,047,541)	6,927,718
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	350,000	691,264	712,729	8,397,429	4,800,000	14,951,422
Operating transfers (out)	(14,601,422)			(350,000)		(14,951,422)
Total Other Financing Sources and (Uses)	(14,251,422)	691,264	712,729	8,047,429	4,800,000	-
Net Change in Fund Balances	8,497,765	-	21,467	(343,973)	(1,247,541)	6,927,718
Fund Balances - Beginning of Year	49,845,260	-	49,531	1,232,182	21,193,891	72,320,864
Fund Balances - End of Year	\$ 58,343,025	\$ -	\$ 70,998	\$ 888,209	\$ 19,946,350	\$ 79,248,582

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, 2020

Net Change in Fund Balances \$ 6,927,718

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 2,180,909

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

Decrease in workers' compensation liabilities 220,480

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable (1,200,734) 1,200,655

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 Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays and other additions 7,874,420
Depreciation expense (7,613,489) 260,931

Long-Term Debt Transaction Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities. 277,513

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 6,085,000
Repayment of installment purchase debt 595,845

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, 2019 to June 30, 2020.

55,593 7,013,951

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system (10,008,686)
Employees' retirement system (4,807,419)
Other postemployment benefits (18,038,514) (32,854,619)

Change in Net Position of Governmental Activities \$ (17,451,364)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2020

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 1,820,882	\$
Restricted	96,500	357,062
Accounts receivable	148,724	
Due from governmental funds	<u>60,583</u>	
Total Assets	<u>\$ 2,126,689</u>	<u>357,062</u>
LIABILITIES		
Extraclassroom activity balances	\$ 390,432	
Other liabilities	<u>1,736,257</u>	
Total Liabilities	<u>\$ 2,126,689</u>	
NET POSITION		
Restricted for scholarships		<u>\$ 357,062</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2020

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 12,475
DEDUCTIONS	
Scholarships and awards	<u>23,230</u>
Change in Net Position	(10,755)
Net Position - Beginning of year	<u>367,817</u>
Net Position - End of Year	<u><u>\$ 357,062</u></u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

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 Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

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

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

C. Basis of Presentation

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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 to finance District operations. The following are the District's fiduciary funds:

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.

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.

D. Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

E. Real Property Taxes

Calendar

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

The District also levies the real property taxes for the Half Hollow Hills Community Library (Library), which are collected by the town and included in the amount remitted to the District. The District remits the Library's share of the tax levy to the Library in 12 installments. These pass-through amounts are not included in the District's real property tax revenues.

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

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

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

G. Restricted Resources

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

H. Interfund Transactions

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

In the District-wide statements, the amounts reported on the Statement of Net Position 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.

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

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

I. Use of Estimates

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

J. Cash and Cash Equivalents

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

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

K. Receivables

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

L. Inventories

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventories is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

M. Capital Assets

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

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

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

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2038. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

O. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through and including 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

P. Collections in Advance

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

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

Q. 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. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

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

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

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

R. Other Benefits

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

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

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for retired eligible employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

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

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for PILOT revenue, state aid, amounts due from other governments for tuition charges and a capital grant award. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension system (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

T. Equity classifications

District-wide statements

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

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

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund Statements

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

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

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

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Property Loss Reserve and Liability Reserve

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

Employee Benefit Accrued Liability Reserve

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

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

Restricted for Debt Service

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

Restricted – Unspent Bond Proceeds

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

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

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

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

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

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

2. FUTURE ACCOUNTING STANDARDS

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

Effective for the Year Ending	Statement
June 30, 2021	GASB No. 84 - Fiduciary Activities
June 30, 2022	GASB No. 87 - Leases

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

Repairs funded by insurance recoveries	\$ 52,867
Instructional materials funded by donations	25,400
Maintenance costs funded by rental fees	<u>1,356</u>
	<u>\$ 79,623</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2020, the District was billed \$10,435,546 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,455,407. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

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

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2020 consisted of:

General Fund	
New York State - excess cost aid	\$ 1,108,916
BOCES aid	1,606,756
Medicaid	<u>25,493</u>
	2,741,165
Special Aid Fund	
State and federal grants	3,049,963
School Lunch Fund	
Federal and state food service program reimbursement	53,847
Capital Projects Fund	
State and municipal grant	<u>250,000</u>
	<u>\$ 6,094,975</u>

District management expects these amounts to be fully collectible.

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2020 consists of:

General Fund	
Tuition and health services	\$ 1,769,399
PILOT payments	2,004,700
Half Hollow Hills Library	<u>8,673</u>
	<u>\$ 3,782,772</u>

District management expects these amounts to be fully collectible.

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,328,016	\$ 444,096	\$ 350,000	\$ 14,601,422
Special Aid Fund		3,126,708	691,264	
School Food Service Fund		178,238	712,729	
Debt Service Fund	381,754		8,397,429	350,000
Capital Projects Fund		21,311	4,800,000	
Total Governmental Funds	<u>3,709,770</u>	<u>3,770,353</u>	<u>\$ 14,951,422</u>	<u>\$ 14,951,422</u>
Fiduciary Fund	<u>60,583</u>			
Total	<u>\$ 3,770,353</u>	<u>\$ 3,770,353</u>		

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The District typically transfers from the general fund to the special aid fund, school food service fund and debt service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported section 4201 schools. The transfer to the school food service fund was to provide support for the program. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the capital projects fund was the 2019-2020 budgeted transfer of \$4,800,000 for district-wide renovations and improvements. The transfer from the debt service fund to the general fund represents a portion of the library bond premium begin held by the District to offset the repayment for library bonds.

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,629,860	\$	\$	\$ 2,629,860
Construction in progress	3,898,503	5,954,522	(1,109,685)	8,743,340
Total capital assets not being depreciated	6,528,363	5,954,522	(1,109,685)	11,373,200
Capital assets being depreciated:				
Buildings and improvements	221,794,534	1,212,704		223,007,238
Site improvements	6,869,980	31,908		6,901,888
Vehicles	7,113,022	527,200	(953,544)	6,686,678
Furniture and equipment	13,668,159	1,257,771	(77,159)	14,848,771
Total capital assets being depreciated	249,445,695	3,029,583	(1,030,703)	251,444,575
Less accumulated depreciation for:				
Buildings and improvements	136,150,237	5,434,312		141,584,549
Site improvements	4,394,490	340,976		4,735,466
Vehicles	5,572,408	398,577	(953,544)	5,017,441
Furniture and equipment	8,817,317	1,439,624	(77,159)	10,179,782
Total accumulated depreciation	154,934,452	7,613,489	(1,030,703)	161,517,238
Total capital assets being depreciated, net	94,511,243	(4,583,906)	-	89,927,337
Capital assets, net	\$ 101,039,606	\$ 1,370,616	\$ (1,109,685)	\$ 101,300,537

Depreciation expense was charged to governmental functions as follows:

General support	\$ 290,367
Instruction	6,876,564
Pupil transportation	432,040
Food service	14,518
Total depreciation expense	\$ 7,613,489

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

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2020</u>
TAN	6/25/20	2.00%	\$	\$ 43,000,000	\$ (43,000,000)	\$

Interest on short-term debt for the year was \$561,389. The District received a premium of \$214,570 for a net interest cost of \$346,819.

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 38,100,000	\$	\$ (6,085,000)	\$ 32,015,000	\$ 6,285,000
Add: Deferred premium on refunding	1,856,824		(431,216)	1,425,608	351,713
	39,956,824	-	(6,516,216)	33,440,608	6,636,713
Installment purchase debt	4,914,921		(595,845)	4,319,076	613,189
	44,871,745	-	(7,112,061)	37,759,684	7,249,902
<u>Other long-term liabilities:</u>					
Compensated absences	21,064,241	1,200,734		22,264,975	1,100,000
Workers' compensation	3,099,496	780,894	(1,001,374)	2,879,016	900,000
	\$ 69,035,482	\$ 1,981,628	\$ (8,113,435)	\$ 62,903,675	\$ 9,249,902

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

B. Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2020</u>
Serial Bonds				
Refunding Bond	3/27/2007	6/15/2021	3.78% - 4.35%	\$ 1,935,000
District-wide construction	5/1/2008	5/1/2023	3.50% - 4.00%	560,000
Refunding Bond Series A	4/11/2013	4/15/2025	3.00% - 5.00%	11,170,000
Refunding Bond Series B	4/11/2013	8/15/2023	2.00% - 5.00%	5,150,000
Serial Bond - Library	2/6/2019	6/15/2038	1.55% - 5.00%	13,200,000
				<u>\$ 32,015,000</u>

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 6,285,000	\$ 1,287,304	\$ 7,572,304
2022	4,540,000	1,003,744	5,543,744
2023	4,730,000	815,894	5,545,894
2024	3,665,000	586,269	4,251,269
2025	2,385,000	454,494	2,839,494
2026-2030	3,490,000	1,471,568	4,961,568
2031-2035	4,130,000	832,118	4,962,118
2036-2038	<u>2,790,000</u>	<u>182,175</u>	<u>2,972,175</u>
Total	<u>\$ 32,015,000</u>	<u>\$ 6,633,566</u>	<u>\$ 38,648,566</u>

C. Amortization of Deferred Amounts

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

<u>Year Ending June 30,</u>	<u>Amortization of Premium</u>	<u>Amortization of Deferred Charges</u>	<u>Interest Expense Increase/ (Decrease)</u>
2021	\$ (351,713)	\$ 123,362	\$ (228,351)
2022	(267,335)	91,532	(175,803)
2023	(180,370)	58,298	(122,072)
2024	(101,602)	35,788	(65,814)
2025	(48,004)		(48,004)
2026-2030	(159,777)		(159,777)
2031-2035	(189,077)		(189,077)
2036-2038	<u>(127,730)</u>		<u>(127,730)</u>
Total	<u>\$ (1,425,608)</u>	<u>\$ 308,980</u>	<u>\$ (1,116,628)</u>

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2020</u>
Energy performance contract	12/7/2010	7/15/2026	2.89%	<u>\$ 4,319,076</u>

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 613,189	\$ 120,423	\$ 733,612
2022	631,039	102,574	733,613
2023	649,407	84,205	733,612
2024	668,311	65,301	733,612
2025	687,764	45,848	733,612
2026-2027	<u>1,069,366</u>	<u>31,052</u>	<u>1,100,418</u>
Total	<u>\$ 4,319,076</u>	<u>\$ 449,403</u>	<u>\$ 4,768,479</u>

E. Interest Expense

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

Interest paid	\$ 1,716,584
Less interest accrued in the prior year	(326,486)
Plus interest accrued in the current year	270,893
Less amortization of deferred amounts	<u>(277,513)</u>
Total	<u>\$ 1,383,478</u>

13. LIBRARY BOND

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

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

On January 24, 2019, the District issued \$14,500,000 in serial bonds on behalf of the Library, which mature on June 15, 2038. As of June 30, 2020, the Library has incurred \$4,124,355 of expenditures that have been recorded in the capital projects fund.

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 14.79% of covered payroll for the ERS' fiscal year ended March 31, 2020.

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

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020 was \$8,756,183 for TRS at the contribution rate of 8.86% and \$4,588,470 for ERS at an average contribution rate of 13.82%.

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2019, for TRS and March 31, 2020 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 14,975,656	\$ (26,073,366)
District's portion of the Plan's total net pension asset/(liability)	0.576429%	0.0984622%
Change in proportion since the prior measurement date	(0.006139)	(0.0008376)

For the year ended June 30, 2020, the District recognized pension expense of \$18,757,550 for TRS and \$9,266,059 for ERS. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 10,148,620	\$ 1,534,523	\$ 1,113,619	\$
Changes of assumptions	28,291,018	524,994	6,898,150	453,324
Net difference between projected and actual earnings on pension plan investments		13,366,475	12,009,704	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,497,992	1,326,703	59,655	295,784
District contributions subsequent to the measurement date	8,756,183	1,400,518		
Total	\$ 48,693,813	\$ 18,153,213	\$ 20,081,128	\$ 749,108

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

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2021	\$ 7,043,085	\$ 2,898,957
2022	697,789	4,094,557
2023	7,018,527	4,987,370
2024	4,770,838	4,022,703
2025	737,862	
Thereafter	(411,599)	
	<u>\$ 19,856,502</u>	<u>\$ 16,003,587</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (67,598,548)</u>	<u>\$ 14,975,656</u>	<u>\$ 84,246,095</u>
	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (47,851,987)</u>	<u>\$ (26,073,366)</u>	<u>\$ (6,015,163)</u>

Pension Plan Fiduciary Net Position

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

	<u>TRS</u>	<u>ERS</u>
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ (119,879,474)	\$ (194,596,261)
Plan fiduciary net position	<u>122,477,481</u>	<u>168,115,682</u>
Employers' net pension asset/(liability)	<u>\$ 2,598,007</u>	<u>\$ (26,480,579)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	102.17%	86.39%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2020 amounted to \$8,756,183 of employer contributions and \$330,521 of employee contributions.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$1,400,518 of employer contributions. Employee contributions are remitted monthly.

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2020, totaled \$970,012 and \$5,243,866, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2020 totaled \$1,083,658.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,519
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,460</u>
	<u>2,979</u>

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NOTES TO FINANCIAL STATEMENTS
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B. Total OPEB Liability

The District's total OPEB liability of \$432,871,687 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

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

Inflation	2.60%
Salary increases	2.60% including inflation
Discount rate	2.21%
Healthcare cost trend rates	6.60% for 2020, decreasing to an ultimate rate of 4.10% in 57 years
Retirees' share of benefit-related costs	15-40% of projected health insurance premiums for retirees

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

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP 2017.

The actuarial assumptions used in the June 30, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 407,435,495</u>
Changes for the year	
Service cost	17,738,016
Interest	14,707,239
Changes of benefit terms	141,340
Differences between expected and actual experience	(22,434,229)
Changes in assumptions or other inputs	25,303,378
Benefit payments	<u>(10,019,552)</u>
	<u>25,436,192</u>
Balance at June 30, 2020	<u>\$ 432,871,687</u>

Changes of assumptions and other input reflects a change in the discount rate from 3.50% in 2019 to 2.21 % in 2020.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

OPEB	1% Decrease 1.21 %	Discount Rate 2.21 %	1% Increase 3.21 %
Total OPEB liability	<u>\$ 515,038,032</u>	<u>\$ 432,871,687</u>	<u>\$ 367,791,797</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.60 %) or 1 percentage point higher (7.60%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.60 % decreasing to 3.10 %	Healthcare Cost Trend Rates 6.60 % decreasing to 4.10 %	1% Increase 7.60 % decreasing to 5.10 %
Total OPEB liability	<u>\$ 354,019,487</u>	<u>\$ 432,871,687</u>	<u>\$ 537,687,985</u>

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

For the year ended June 30, 2020, the District recognized an OPEB expense of \$28,058,066. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,877	\$ 19,274,478
Changes of assumptions and other inputs	<u>21,739,522</u>	<u>23,481,539</u>
Total	<u>\$ 22,069,399</u>	<u>\$ 42,756,017</u>

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ (4,528,529)
2022	(4,528,529)
2023	(4,528,529)
2024	(4,528,529)
2025	(3,029,708)
Thereafter	457,206
	<u><u>\$(20,686,618)</u></u>

17. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2020, consists of that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable, amounts due from other governments for tuition and related services and payments in lieu of taxes due from the Suffolk County IDA. Beginning in June 2020, 20% of aid amounts payable to the District were effectively withheld by the State, in response to revenue losses coupled with increased costs on the State level due to COVID-19. Unavailable revenues from New York State for local aid payments at June 30, 2020, is \$373,132. Deferred amounts due from other governments for tuition and related services and payments in lieu of taxes totaled \$721,455 and \$1,850,000, respectively. Deferred inflows of resources, in the general fund at June 30, 2020, total \$2,944,587.

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2020, is the amount due from New York State for a special legislative grant for interior door locksets for all District student occupied buildings and the Fran Greenspan Administrative Center. Unavailable revenues, in the capital projects fund at June 30, 2020, total \$250,000.

18. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

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

	<u>2019</u>	<u>2020</u>
Unpaid claims at beginning of year	\$ 4,220,562	\$ 3,099,496
Incurred claims and claim adjustment expenses	(124,611)	780,894
Claim payments	<u>(996,455)</u>	<u>(1,001,374)</u>
Unpaid claims at year end	<u><u>\$ 3,099,496</u></u>	<u><u>\$ 2,879,016</u></u>

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

C. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

19. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2020 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2021:

Workers' Compensation	\$ 900,000
Unemployment	50,000
Retirement Contributions	
Teachers' retirement system	1,800,000
Employees' retirement system	3,150,000
Employee Benefit Accrued Liability	<u>1,100,000</u>
	<u>\$ 7,000,000</u>

20. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$4,789,345 has been appropriated to reduce taxes for the year ending June 30, 2021.

21. TAX ABATEMENTS

The Town of Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was \$4,804,216. The District received payment in lieu of taxes (PILOT) payments totaling \$2,384,225.

The Town of Huntington Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was not readily available. The District received payment in lieu of taxes (PILOT) payments totaling \$407,044.

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was not readily available. The District estimated a receivable for payment in lieu of taxes (PILOT) of \$1,850,000, which is recorded as a deferred inflow of resources at June 20, 2020.

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

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General support \$ 381,308

Instruction 636,835

Transportation 101

1,018,244

Capital Projects Fund

Capital projects 1,453,027

\$ 2,471,271

B. Grants

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, would be immaterial.

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$147,311. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 101,057
2022	101,057
2023	<u>101,057</u>
	<u>\$ 303,171</u>

23. SUBSEQUENT EVENTS

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

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

A. Issuance of TANs

On October 8, 2020, the District issued tax anticipation notes in the amount of \$50,000,000, which are due June 25, 2021 and bear interest at the stated rate of 3.00%. The District received premiums of \$967,550 with the borrowing to yield an effective interest rate of 0.29%.

B. Impact of COVID-19

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID-19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the state, all of which are uncertain and cannot be predicted.

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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 198,530,378	\$ 200,761,570	\$ 200,762,201	\$ 631
Other tax items	15,604,569	13,373,377	11,560,078	(1,813,299)
Charges for services	1,275,000	1,275,000	1,225,869	(49,131)
Use of money and property	1,627,000	1,628,356	1,719,841	91,485
Sale of property and compensation for loss	82,000	134,867	320,005	185,138
Miscellaneous	1,400,000	1,425,400	1,240,535	(184,865)
Total Local Sources	218,518,947	218,598,570	216,828,529	(1,770,041)
State Sources	31,699,982	31,699,982	31,847,940	147,958
Medicaid reimbursement	140,000	140,000	169,739	29,739
Total Revenues	250,358,929	250,438,552	248,846,208	(1,592,344)
OTHER FINANCING SOURCES				
Operating transfers in			350,000	350,000
Total Revenues and Other Financing Sources	250,358,929	250,438,552	249,196,208	\$ (1,242,344)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,500,000	2,500,000		
Prior Year's Encumbrances	811,532	811,532		
Appropriated Reserves	7,000,000	7,000,000		
Total Appropriated Fund Balance	10,311,532	10,311,532		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 260,670,461	\$ 260,750,084		

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, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 158,763	\$ 158,763	\$ 119,955	\$ 3,500	\$ 35,308
Central administration	521,117	521,117	492,944		28,173
Finance	1,757,100	1,757,100	1,655,905		101,195
Staff	1,342,245	1,386,245	1,260,171	185	125,889
Central services	17,598,128	17,608,547	15,238,356	377,623	1,992,568
Special items	1,984,907	1,984,907	1,910,987		73,920
Total General Support	23,362,260	23,416,679	20,678,318	381,308	2,357,053
Instruction					
Administration & improvement	8,713,768	8,727,808	8,479,453	818	247,537
Teaching - regular school	79,314,435	79,499,635	76,245,146	353,603	2,900,886
Programs for students with disabilities	37,842,799	37,616,849	35,643,057	19,701	1,954,091
Occupational education	405,570	405,570	405,570		-
Teaching - special schools	299,121	299,121	264,758		34,363
Instructional media	5,087,907	5,111,522	4,660,157	254,387	196,978
Pupil services	11,965,610	11,970,706	10,412,050	8,326	1,550,330
Total Instruction	143,629,210	143,631,211	136,110,191	636,835	6,884,185
Pupil Transportation	15,919,980	15,943,183	11,251,880	101	4,691,202
Community Services	126,400	126,400	29,446		96,954
Employee Benefits	62,800,073	62,262,344	57,680,367		4,581,977
Debt Service					
Interest	600,000	600,000	346,819		253,181
Total Expenditures	246,437,923	245,979,817	226,097,021	1,018,244	18,864,552
OTHER USES					
Operating Transfers Out	14,232,538	14,770,267	14,601,422		168,845
Total Expenditures and Other Uses	\$ 260,670,461	\$ 260,750,084	240,698,443	\$ 1,018,244	\$ 19,033,397
Net Change in Fund Balance			8,497,765		
Fund Balance - Beginning of Year			49,845,260		
Fund Balance - End of Year			\$ 58,343,025		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

<i>Teachers' Retirement System</i>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/(liability)	0.576429%	0.582568%	0.594785%	0.601917%	0.599948%	0.610930%
District's proportionate share of the net pension asset/(liability)	\$ 14,975,656	\$ 10,534,364	\$ 4,520,958	\$ (6,446,785)	\$ 62,315,454	\$ 68,053,747
District's covered payroll	\$ 96,959,727	\$ 96,366,577	\$ 94,154,889	\$ 92,881,885	\$ 92,269,370	\$ 92,557,756
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.45 %	10.93 %	4.80 %	6.94 %	67.54 %	73.53 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%
 <i>Employees' Retirement System</i>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0984622%	0.0992998%	0.1058445%	0.0990451%	0.1039717%	0.1061533%
District's proportionate share of the net pension liability	\$ (26,073,366)	\$ (7,035,694)	\$ (3,416,072)	\$ (9,306,503)	\$ (16,687,754)	\$ (3,586,120)
District's covered payroll	\$ 31,069,979	\$ 32,564,418	\$ 30,369,320	\$ 32,083,310	\$ 29,152,666	\$ 29,816,065
District's proportionate share of the net pension liability as a percentage of its covered payroll	83.92 %	21.61 %	11.25 %	29.01 %	57.24 %	12.03 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

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

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 8,756,183	\$ 10,206,576	\$ 9,299,590	\$ 11,034,953	\$ 12,316,138	\$ 15,798,088	\$ 14,664,619	\$ 10,790,484	\$ 9,353,515	\$ 7,754,344
Contributions in relation to the contractually required contribution	<u>8,756,183</u>	<u>10,206,576</u>	<u>9,299,590</u>	<u>11,034,953</u>	<u>12,316,138</u>	<u>15,798,088</u>	<u>14,664,619</u>	<u>10,790,484</u>	<u>9,353,515</u>	<u>7,754,344</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 98,828,251	\$ 96,959,727	\$ 96,366,577	\$ 94,154,889	\$ 92,881,885	\$ 92,269,370	\$ 92,557,756	\$ 93,517,489	\$ 92,522,055	\$ 92,529,810
Contributions as a percentage of covered payroll	9%	11%	10%	12%	13%	17%	16%	12%	10%	8%

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 4,588,470	\$ 4,368,155	\$ 4,688,965	\$ 4,352,370	\$ 5,041,157	\$ 5,242,459	\$ 5,237,154	\$ 4,806,958	\$ 4,307,681	\$ 3,020,050
Contributions in relation to the contractually required contribution	<u>4,588,470</u>	<u>4,368,155</u>	<u>4,688,965</u>	<u>4,352,370</u>	<u>5,041,157</u>	<u>5,242,459</u>	<u>5,237,154</u>	<u>4,806,958</u>	<u>4,307,681</u>	<u>3,020,050</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,190,428	\$ 32,987,939	\$ 31,239,160	\$ 30,717,043	\$ 29,376,695	\$ 30,698,053	\$ 28,731,806	\$ 28,483,982	\$ 28,523,253	\$ 27,633,739
Contributions as a percentage of covered payroll	14%	13%	15%	14%	17%	17%	18%	17%	15%	11%

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 17,738,016	\$ 19,004,281	\$ 18,450,758
Interest	14,707,239	13,016,243	12,414,015
Changes in benefit terms	141,340	-	-
Differences between expected and actual experience	(22,434,229)	-	520,191
Changes of assumptions or other inputs	25,303,378	(33,473,683)	-
Benefit payments	<u>(10,019,552)</u>	<u>(11,875,887)</u>	<u>(11,852,734)</u>
Net change in total OPEB liability	25,436,192	(13,329,046)	19,532,230
Total OPEB liability, beginning	<u>407,435,495</u>	<u>420,764,541</u>	<u>401,232,311</u>
Total OPEB liability, ending	<u><u>\$ 432,871,687</u></u>	<u><u>\$ 407,435,495</u></u>	<u><u>\$ 420,764,541</u></u>
Covered employee payroll	\$ 122,670,095	\$ 117,557,023	\$ 117,557,023
Total OPEB liability as a percentage of covered employee payroll	352.87%	346.59%	357.92%
Discount rate	2.21%	3.50%	3.00%
Health care trend rates	6.60% to 4.10% by 2076	7.50% to 4.50% by 2026	7.50% to 4.50% by 2023

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

Note to Required Supplementary Information

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 259,858,929
Additions:	
Prior year's encumbrances	<u>811,532</u>
Original Budget	260,670,461
Budget revisions	<u>79,623</u>
Final Budget	<u><u>\$ 260,750,084</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter-approved expenditure budget	<u><u>\$ 264,612,680</u></u>
Maximum allowed (4% of 2020-2021 budget)	<u><u>\$ 10,584,507</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 5,807,589	
Unassigned fund balance	<u>10,584,509</u>	
		\$ 16,392,098
Less:		
Appropriated fund balance	4,789,345	
Encumbrances	<u>1,018,244</u>	
Total adjustments		<u>5,807,589</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 10,584,509</u></u>
Actual Percentage		4.00%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2020

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance
	June 30, 2019	June 30, 2020	Prior Years	Current Year	Total		Proceeds of Obligations	Grant Aid	Local Sources	Total	June 30, 2020
2015-16 Projects											
HSE - Generators	\$ 248,400	\$ 248,400	\$ 248,400	\$	\$ 248,400	\$ -	\$	\$	\$ 248,400	\$ 248,400	\$ -
HSE - HVAC	389,910	389,910	389,910		389,910	-			389,910	389,910	-
HSW - Auditorium/Tennis Court	717,552	717,552	717,552		717,552	-			717,552	717,552	-
Carbon Monoxide Detection	335,354	335,354	335,354		335,354	-			335,354	335,354	-
WH - Atrium	31,576	31,576	31,576		31,576	-			31,576	31,576	-
2016-17 Projects											
SH - Ceiling Tile Replacement	632,815	632,815	632,815		632,815	-			632,815	632,815	-
Sunquam - Drainage	173,539	173,539	170,974		170,974	2,565			173,539	173,539	2,565
Candlewood - Doors	74,352	74,352	70,736	3,616	74,352	-			74,352	74,352	-
HSE - Tennis Courts/Air Vents	863,465	863,465	863,465		863,465	-			863,465	863,465	-
HSW - Gym Doors	91,152	91,152	79,326	11,826	91,152	-			91,152	91,152	-
Natatorium - Renovations	409,413	409,413	409,413		409,413	-		100,000	309,413	409,413	-
HSE - HVAC	234,404	234,404	234,404		234,404	-			234,404	234,404	-
2017-18 Projects											
Signal Hill - Roof Replacement	160,000	159,805	154,837	1,405	156,242	3,563			159,805	159,805	3,563
Paumonok - Roof Replacement	983,533	1,041,020	954,847	86,173	1,041,020	-			1,041,020	1,041,020	-
Candlewood - Roof Replacement	1,005,300	1,127,501	762,818	339,760	1,102,578	24,923			1,127,501	1,127,501	24,923
HSE - Orchestra	433,000	415,008	35,053	340,997	376,050	38,958			415,008	415,008	38,958
HSE - Gymnasium Air Vents	187,000	75,073	75,073		75,073	-			75,073	75,073	-
HSE - Chiller	180,000	88,084	88,084		88,084	-			88,084	88,084	-
Natatorium Renovations - Phase II	704,000	685,000	25,306	543,128	568,434	116,566			685,000	685,000	116,566
Ostego - Fuel Tank	165,000	165,000	-		-	165,000			165,000	165,000	165,000
FGAC - Roof Replacement	557,000	444,742	160,986	216,530	377,516	67,226			444,742	444,742	67,226
Sunquam - Drainage	107,235	138,823	71,723		71,723	67,100			138,823	138,823	67,100
2018-19 Projects											
HSE - Window Replacement	2,000,000	2,000,000	84,906		84,906	1,915,094			2,000,000	2,000,000	1,915,094
Vanderbilt - Parking Lot Expansion	400,000	459,624	20,810	408,515	429,325	30,299			459,624	459,624	30,299
HSW - Boiler Replacement	2,000,000	1,972,808	84,906		84,906	1,887,902			1,972,808	1,972,808	1,887,902
Transportation - Drainage & Pavement	400,000	590,943	13,022	509,304	522,326	68,617			590,943	590,943	68,617
2019-20 Projects											
HSE - Chairlift, Ramp, Water Tank		360,000		16,479	16,479	343,521			360,000	360,000	343,521
HSW - Elevator Modernization		330,000		15,106	15,106	314,894			330,000	330,000	314,894
WH - Roof, HW Heater, Cooling Tower		3,720,000		157,970	157,970	3,562,030			3,720,000	3,720,000	3,562,030
VA - Ceiling Tile Replacement		75,000		3,433	3,433	71,567			75,000	75,000	71,567
PAU - Ceiling Tile Replacement		315,000		14,419	14,419	300,581			315,000	315,000	300,581
Administration - Interior Lockset	1,500,000	1,428,637	63,679	524,659	588,338	840,299		250,000	1,178,637	1,428,637	840,299
Library Bond	14,500,000	14,500,000	1,260,134	2,864,221	4,124,355	10,375,645	14,500,000			14,500,000	10,375,645
Totals	<u>\$ 29,484,000</u>	<u>\$ 34,294,000</u>	<u>\$ 8,040,109</u>	<u>\$ 6,057,541</u>	<u>\$ 14,097,650</u>	<u>\$ 20,196,350</u>	<u>\$ 14,500,000</u>	<u>\$ 350,000</u>	<u>\$ 19,444,000</u>	<u>\$ 34,294,000</u>	20,196,350
Grant Aid Revenue Not Realized											(250,000)
											<u>\$ 19,946,350</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2020

Capital assets, net		<u>\$ 101,300,537</u>
Deduct:		
Short-term portion of bonds payable	\$ (6,285,000)	
Long-term portion of bonds payable	(25,730,000)	
Less: Unspent bond proceeds	<u>10,375,645</u>	
		(21,639,355)
Short-term portion of installment purchase debt	(613,189)	
Long-term portion of installment purchase debt	<u>(3,705,887)</u>	
		<u>(4,319,076)</u>
Net investment in capital assets		<u><u>\$ 75,342,106</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Half Hollow Hills Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Half Hollow Hills Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 26, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 26, 2020

