

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2020

NEW ISSUE

TAX ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "Tax Matters" herein).

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK**

**\$50,000,000* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES
(the "Notes")**

Date of Issue: October 8, 2020

Maturity Date: June 25, 2021

The Notes are general obligations of the Half Hollow Hills Central School District of Huntington and Babylon, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "*The Tax Levy Limit Law*" herein.)

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Book-Entry-Only System*" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 29, 2020 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about October 8, 2020.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

September , 2020

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK**

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* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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OFFICIAL STATEMENT

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK**

Relating To

**\$50,000,000* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES
(the "Notes")**

This Official Statement, including the cover page, and appendix hereto, presents certain information relating to the Half Hollow Hills Central School District of Huntington and Babylon in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$50,000,000* Tax Anticipation Notes for 2020-2021 Taxes (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify.

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Anne Marie Marrone Caliendo, Assistant Superintendent for Finance and Facilities, Half Hollow Hills Central School District of Huntington and Babylon, 525 Half Hollow Road, Dix Hills, NY 11746, Phone (631) 592-3030, Fax (631) 592-3930 and email: acaliendo@hhh.k12.ny.us.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Description of Book-entry-only System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

*Preliminary, subject to change.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2020-2021 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2020-2021 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2020-2021 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, (herein referred to as the "Tax Levy Limit Law" or "Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes, and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*," herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owner of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

NO PAST DUE DEBT

No principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

THE DISTRICT

Description

The District, which comprises an area of approximately 35 square miles and has an estimated population of 46,000, is located within the towns of Babylon and Huntington, Suffolk County, New York, approximately 35 miles east of New York City. The District includes the unincorporated communities of Melville, Dix Hills, Wheatley Heights, small portions of Deer Park, Farmingdale and East Northport and is primarily residential in nature, but includes some significant commercial and industrial development. Commercial and industrial properties located within the District include Verizon, Estee Lauder Inc., Melville Industrial Association, Bank of America and Newsday.

Electricity and natural gas are provided by the PSEG Long Island and National Grid; telephone service by Verizon; water supply and distribution by the Suffolk County Water Authority and municipal water districts; and public safety by the Suffolk County Police Department and three volunteer fire departments.

Other commercial development includes office buildings, medical group facilities, and large retail facilities. In addition to employment opportunities within the District, residents commute to New York City, to nearby industrial parks, and to the Suffolk County Office Building Center and the State Office Building, both of which are located in Hauppauge.

Transportation to New York City is furnished by the Long Island Railroad, with stations located nearby in Huntington Station, Farmingdale, Amityville, Wyandanch and Deer Park. Major highways in the District are the Northern State Parkway, the Long Island Expressway and New York State Route 110.

District Organization

The District is an independent entity governed by an elected Board of Education (the "Board") comprised of seven members. District operations are subject to the provisions of the Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held on the third Tuesday in May). The term of office for each board member is three years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Finance and Facilities.

Enrollment History

The following table presents the current and past school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2016-2017	8,275
2017-2018	8,030
2018-2019	7,413
2019-2020	7,674
2020-2021	7,459

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2021-2022	7,356
2022-2023	7,255

Source: District Officials.

District Facilities

The District operates 15 schools and offices; statistics relating to each are shown below.

<u>Name of School</u>	<u>Year Built</u>	<u>Type</u>	<u>Capacity</u>	<u>Insured Value</u>
Chestnut Hill Elementary ^a	1970	K-5	-	\$24,070,680
Forest Park Elementary ^a	1964	K-5	-	22,710,700
Otsego Elementary	1967	K-5	684	23,850,300
Paumanok Elementary	1968	K-5	636	23,775,930
Signal Hill Elementary	1968	K-5	636	23,712,780
Sunquam Elementary	1952	K-5	828	29,335,450
Vanderbilt Elementary	1966	K-5	688	24,247,080
Candlewood Middle School	1965	6-8	1,682	51,182,270
West Hollow Middle School	1970	6-8	1,810	63,894,520
High School East	1961	9-12	2,300	106,739,750
High School West	1975	9-12	1,670	70,708,810
Central Office	1962	Office	N/A	20,200,740
Transportation Center	1966	Office	N/A	2,873,840
Bus Storage Facility	2009	Bus Lot	-	1,333,080
Natatorium	1981	-	-	3,779,170

a. Currently not used as student-occupied space.

Employees

The District provides services through approximately 1,910 employees who are represented by the following units of organized labor, plus non-union employees not represented.

<u>Name of Union</u>	<u>Expiration Date of Contract^a</u>	<u>Approx. No. of Members</u>
Half Hollow Hill Teachers' Association	06/30/24	761
Half Hollow Hills Administrators' Association	06/30/23	42
Half Hollow Hills Association of Office Personnel	06/30/23	84
Local 237, I.B.T. (Custodial)	06/30/21	90
Div. 1181-1061 Amal. Trans., AFL-CIO	06/30/20	58
Half Hollow Hills Paraprofessional Association	06/30/21	449
Half Hollow Hills Substitute Teachers' Association	06/30/21	233
Local 237, I.B.T. (Food Service)	06/30/20	49
Half Hollow Hills Association of Monitors	06/30/21	144

a. Any contracts expired as of this Official Statement are in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the District, the Towns of Babylon and Huntington and the County of Suffolk.

<u>Year</u>	<u>District</u>	<u>Town of Huntington</u>	<u>Town of Babylon</u>	<u>Suffolk County</u>
2009	48,074	202,047	220,163	1,511,028
2010	48,481	204,784	218,679	1,511,392
2012	47,761	203,735	213,860	1,499,273
2015	47,228	204,410	213,750	1,501,587
2018	46,006	201,546	210,368	1,497,595

Source: U.S. Bureau of the Census.

Income Data

The information set forth below with respect to such Towns, County and State is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Towns, County and State or vice versa.

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
District	-	-	\$52,252	\$60,667
Town of Huntington	\$24,810	\$36,390	47,519	60,027
Town of Babylon	16,726	22,844	31,816	35,818
Suffolk County	18,481	26,577	36,819	43,905
New York State	16,501	23,389	32,104	38,884

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2014-2018)

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
District	-	-	\$115,052	\$136,301
Town of Huntington	\$60,530	\$82,528	102,782	127,668
Town of Babylon	47,074	60,064	77,407	90,195
Suffolk County	49,128	65,288	84,506	100,468
New York State	32,965	43,393	55,603	67,844

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2014-2018)

Economy

The portion of the District which is situated in the Town of Huntington (approximately 85% of the area), contains the highest density of residential zoning in said Town. Industrial and commercial construction has been active in the vicinity of the Long Island Expressway and New York State Route 110.

The Walt Whitman Shops, located within the Town of Huntington outside the District, has undergone an extensive renovation and expansion in recent years. Major nationally known retail chains that currently anchor the mall are Bloomingdales, Lord & Taylor, Macy's, and Saks Fifth Avenue. The mall encompasses 1,043,000 sq. ft. and includes approximately 100 satellite stores.

Over the past ten (10) years, over two (2) million square feet of Class A office space has been constructed or renovated in the Town's corporate center, the Melville Employment Center (MEC). The MEC is home to major corporations including Canon USA, Rubies Corporation, Air Techniques, Henry Schein, Honeywell Corporation, Leviton Corporation and the Capital One Bank Corporate Center. A second phase of the Canon project is projected in the near future, providing an additional 200,000 square feet of research and development space and 260 more employees, bringing the total employees to 2,060. Numerous proposals are being submitted for the Newsday site in Melville, which will be redeveloped into an over 600,000 square foot manufacturing or warehousing facility. Estee Lauder is also proposing to open a multi-million dollar engineering center in the MEC, next door to their current factory and research lab.

Vacant commercial and industrial land, like the Canon site, is limited. However, many sites zoned for such uses are under-utilized and excellent candidates for site redevelopment. This is an emerging trend that is fully supported and encouraged by Huntington officials, who have identified existing commercial corridors and industrial sites throughout the Town, and the Melville Employment Center (MEC) in particular, as the Town's primary focus in its 2008 Comprehensive Plan Update "Horizons 2020". Many of the under-utilized industrial sites in Melville are on large parcels in prime locations with access to the Long Island Expressway. The strong market demand for quality corporate office space will continue to spur redevelopment and result in increasing market values and commercial property tax revenues.

Selected Listing of Larger Employers in the Town of Huntington^a (As of 2019)

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Employees</u>
Northport Veterans Affairs Medical Center	Healthcare	2,000
Huntington Hospital	Hospital	2,000
Half Hollow Hills School District	Education	1,910
Canon	Imaging Products	1,509
Estee Lauder, Inc.	Cosmetics	1,450
Commack School District	Education	1,439
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Northport-East Northport UFSD	Education	1,300
Newsday	Newspaper	1,228
Western Suffolk BOCES	Education	1,176

Source: Town of Huntington.

a. Not necessarily representative of the District.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) are the Towns of Huntington and Babylon. The information set forth below with respect to such Towns is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Towns or vice versa.

<u>Annual Averages:</u>	<u>Town of Babylon (%)</u>	<u>Town of Huntington (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2015	5.3	4.2	4.8	5.3
2016	4.7	3.8	4.3	4.8
2017	4.8	4.1	4.5	4.7
2018	4.1	3.4	3.9	4.1
2019	3.9	3.3	3.7	4.0
2020 (7 Month Average) ^a	10.9	8.9	9.6	10.4

Source: Department of Labor, State of New York

a. Unemployment rates dramatically increased throughout the State due to the COVID-19 pandemic.

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Notes:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (See “*The Tax Levy Limit Law*” herein).

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

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The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of September 17, 2020)

<u>In Town of: (2019-2020)^a</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Huntington	\$79,753,654	0.76	\$10,493,901,842
Babylon	<u>15,604,606</u>	0.97	<u>1,608,722,268</u>
Totals	<u>\$95,358,260</u>		<u>\$12,102,624,110</u>
Debt Limit - 10% of Full Valuation			1,210,262,411
Inclusions: ^b			
Outstanding Bonds			\$30,810,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>\$30,810,000</u>
Exclusions (Estimated Building Aid) ^c			<u>12,354,810</u>
Total Net Indebtedness			<u>18,455,190</u>
Net Debt Contracting Margin			<u><u>\$1,191,807,221</u></u>
Per Cent of Debt Contracting Margin Exhausted (%)			1.52%

- a. The latest completed assessment roll for which a State Equalization Rate has been established.
- b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
- c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has no short-term indebtedness outstanding.

Trend of Outstanding Indebtedness
As of June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$40,315,000	\$35,185,000	\$29,865,000	\$38,100,000	\$32,015,000
BANs	0	0	0	0	0
Energy Performance Contract	<u>6,731,810</u>	<u>6,056,024</u>	<u>5,493,912</u>	<u>4,914,919</u>	<u>4,319,074</u>
Total	<u><u>\$47,046,810</u></u>	<u><u>\$41,241,024</u></u>	<u><u>\$35,358,912</u></u>	<u><u>\$43,014,919</u></u>	<u><u>\$36,334,074</u></u>

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year <u>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	640,000	352,994	992,994
2027	670,000	320,994	990,994
2028	700,000	294,194	994,194
2029	725,000	266,194	991,194
2030	755,000	237,194	992,194
2031	780,000	214,544	994,544
2032	800,000	191,144	991,144
2033	825,000	167,144	992,144
2034	850,000	142,394	992,394
2035	875,000	116,894	991,894
2036	900,000	89,550	989,550
2037	930,000	61,425	991,425
2038	960,000	31,200	991,200
Totals:	<u>\$32,015,000</u>	<u>\$6,633,566</u>	<u>\$38,648,566</u>

Source: Audited Financial Statements of the District.

a. Does not include payments made to date.

Debt Service Requirements – Energy Performance Contract^a

Fiscal Year <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 613,189	\$120,423	\$ 733,612
2022	631,038	102,574	733,612
2023	649,407	84,205	733,612
2024	668,311	65,301	733,612
2025	687,764	45,848	733,612
2026	707,784	25,828	733,612
2027	361,581	5,225	366,806
Totals:	<u>\$4,319,074</u>	<u>\$449,404</u>	<u>\$4,768,478</u>

Source: Audited Financial Statements of the District.

a. Does not include payments made to date.

Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax payments.

The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

Fiscal Year <u>Ending June 30:</u>	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2016	\$42,500,000	10/20/2015	06/28/2016
2017	41,000,000	10/13/2016	06/27/2017
2018	41,000,000	10/17/2017	06/27/2018
2019	41,000,000	10/18/2018	06/27/2019
2020	43,000,000	10/30/2019	06/25/2020

Authorized and Unissued Debt

As of the date of this Official Statement, the District has no authorized and unissued debt.

Operating Leases

The District leases various office equipment under several non-cancelable operating leases. The amount paid in fiscal year ending June 30, 2020 was \$113,560.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/26/2020	6.10	\$120,018,315	\$81,934,490
Town of Huntington	06/25/2020	24.80	26,249,560	17,928,550
Town of Babylon	07/30/2020	8.22	13,041,030	12,150,804
Dix Hills Fire Department	05/15/2020	100.00	6,205,000	6,205,000
Melville Fire Department	12/31/2019	100.00	0	0
Totals			\$165,513,905	\$118,218,844

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios (As of September 17, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$ 30,810,000	\$ 670	0.25
Net Direct Debt	18,455,190	401	0.15
Total Direct & Applicable Total Overlapping Debt	196,323,905	4,267	1.62
Net Direct & Applicable Net Overlapping Debt	136,674,034	2,971	1.13

a. The current population of the District is 46,006.

b. The full valuation of taxable property for 2019-2020 is \$12,102,624,110.

FINANCES OF THE DISTRICT

Impact of COVID-19

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel and for cleaning supplies and equipment, the aggregate cost of which total approximately \$2-\$3 million. The District has paid such costs from budgetary appropriations and/or available funds. The District's State Aid for the 2019-2020 school year has been reduced and the District also expects a reduction of up to 20% in State aid during the 2020-2021 fiscal year. In the District 2020-2021 Adopted Budget, State aid revenues are estimated to be approximately 20% less than the prior year. The District does not believe that the increased costs or the potential reductions in State aid described above will have a material adverse impact on the finances of the District. See also "*State Aid*" herein.

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2019. A copy of such report is included herein as Appendix C.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund, school lunch fund and special purpose fund. In addition, a capital projects fund is used to record capital facility projects, while an agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

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

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

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein).

On June 9, 2020, a majority of the voters of the District approved the District's budget for the 2020-2021 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2019-2020 and 2020-2021 may be found in Appendix A, herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See "*Tax Information*" herein.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth the percentage of the District’s General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2019, and the amounts budgeted for 2020 and 2021.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2015	\$224,109,798	\$27,350,753	12.20
2016	231,031,213	29,268,029	12.67
2017	235,091,985	32,391,682	13.78
2018	240,112,179	32,611,723	13.58
2019	248,073,572	32,318,145	13.03
2020 (Budgeted) ^a	259,858,929	31,699,982	12.20
2021 (Budgeted) ^a	264,612,680	30,022,986	11.35

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted revenues include the application of reserves and fund balance.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “*STAR – School Tax Exemption*” herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due the outbreak of COVID-19 the State has declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically.

On August 13, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a \$14.5 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$62 billion through the State’s fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See also “*Impacts of COVID-19*”, “*Risk Factors*” and “*Event Affecting New York School Districts*” herein).

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Litigation regarding apportionment of State aid. In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER v. State of New York* has been filed recently on behalf of the State's public-school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE v. State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The State's 2014-2015 Budget included a \$1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored \$602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested \$1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State’s 2016-2017 Budget included a school aid increase of \$991 million over 2015-2016, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the State’s 2016-2017 Budget included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment (the “GEA”). The majority of the remaining increase (\$100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The State’s 2017-2018 Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State’s 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

School district fiscal year (2018-2019): The State’s 2018-2019 Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018-2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

School district fiscal year (2019-2020): The State’s 2019-2020 school year, the State’s Enacted Budget included a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases had been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State’s usual practice. Transportation aid increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019-2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State’s 2020-2021 Enacted Budget is 3.7 percent lower than in the State’s 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor’s Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State’s 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State’s 2020-2021 Enacted Budget authorizes the State’s Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See “*State Aid*” herein for a discussion of this provision set forth in the State’s 2020-2021 Enacted Budget.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under State aid formulas). The District’s State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State’s 2016-2017 Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District’s estimated total allocation is \$2,717,346.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also “*Risk Factors*”).

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 0.0%; Environmental Score: 5.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on August 19, 2016. The purpose of the audit was to examine the District's procurement procedures for the period July 1, 2014 through March 31, 2016. The complete report, along with the District's response, may be found on the OSC's official website.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the amounts budgeted for the 2021 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2016	\$12,292,784	\$4,576,643
2017	11,023,118	3,865,062
2018	9,295,354	4,600,065
2019	10,201,111	4,146,716
2020	8,748,864	4,279,307
2021 (Budgeted)	9,800,000	5,785,000

Source: District Officials.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost. Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District’s total OPEB liability at June 30, 2019 is as follows:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2019:</u>
Total OPEB liability as of June 30, 2018	\$420,764,541
Changes for the year:	
Service cost	19,004,281
Interest	13,016,243
Changes in assumptions or other inputs	(33,473,683)
Benefit payments	<u>(11,875,887)</u>
Total Changes	<u>(\$13,329,046)</u>
Total OPEB liability as of June 30, 2019	<u><u>\$407,435,495</u></u>

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of Huntington and Babylon. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see “*The Tax Levy Limit Law*” herein for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the percentage of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019, and the amounts budgeted for 2020 and 2021.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2015	\$224,109,798	\$193,508,624	86.35
2016	231,031,213	198,621,041	85.97
2017	235,091,985	199,248,409	84.75
2018	240,112,179	204,063,467	84.99
2019	248,073,572	210,331,745	84.79
2020 (Budgeted) ^a	259,858,929	209,530,378	80.63
2021 (Budgeted) ^a	264,612,680	213,700,033	80.76

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax Receivers. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receivers distribute the collected tax money to the Towns, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers and any deficiency in tax collection is the County’s liability. The District thereby is assured of full tax collection.

As a result of the COVID-19 pandemic, in certain counties in New York State during the 2019-2020 fiscal year, the deadline to pay school district property taxes, without interest or penalty, was extended. No assurance can be given that similar extensions with respect to the deadlines to pay school district property taxes, without interest or penalty, may occur during the 2020 -2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected and paid to school districts.

The Tax Levy Limit Law

Chapter 97 of the New York Laws of 2011, as amended, (herein referred to as the “Tax Levy Limit Law” or “Law”) modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district’s budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR

exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Approximately 7% of the District’s 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 7% of the District’s 2020-2021 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2021. (See “*State Aid*” herein).

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Valuations, Rates and Levies

The anticipated tax levy for the 2020-2021 year is \$213,700,033.

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2016 through 2020.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Town of Huntington:					
Assessed Valuation	\$ 81,546,845	\$ 81,132,817	\$ 80,788,857	\$ 80,221,050	\$ 79,753,654
Equalization Rate	0.86%	0.85%	0.84%	0.80%	0.76%
Full Valuation	9,482,191,279	9,545,037,294	9,617,721,071	10,027,631,250	10,493,901,842
Tax Levy ^a	169,783,363	170,219,969	173,031,594	177,281,143	177,281,143
Tax Rate per \$1,000 of Assessed Valuation	2,082.03	2,098.04	2,141.78	2,209.91	2,222.86
Town of Babylon:					
Assessed Valuation	\$ 15,534,800	\$ 15,536,537	\$ 15,203,548	\$ 15,305,383	\$ 15,604,606
Equalization Rate	1.19%	1.18%	1.12%	1.07%	0.97%
Full Valuation	1,305,445,378	1,316,655,678	1,357,459,643	1,430,409,626	1,608,722,268
Tax Levy ^a	25,580,901	25,497,778	26,407,315	27,137,669	29,298,168
Tax Rate per \$1,000 of Assessed Valuation	1,646.68	1,641.15	1,736.92	1,773.08	1,877.53
Totals:					
Assessed Valuation	\$ 97,081,645	\$ 96,669,354	\$ 95,992,405	\$ 95,526,433	\$ 95,358,260
Full Valuation	10,787,636,657	10,861,692,972	10,975,180,714	11,458,040,876	12,102,624,110
Tax Levy ^a	195,364,264	195,717,748	199,438,909	204,418,812	206,579,311

Source: Towns of Huntington and Babylon.

a. School District Only – Excludes Library.

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Selected Listing of Large Taxable Properties in the District
2019-2020 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
58/68 S Service Road SPE LLC	Commercial	\$801,465
LIPA	Utility	743,585
Long Island Power Authority	Utility	618,070
Avalon Bay Communities, Inc.	Commercial	526,303
Estee Lauder Inc.	Commercial	469,700
Grandview Hotel Limited	Hotel	425,000
3HQ Partners LLC	Commercial	425,000
CLK-HP 300 Broadhollow LLC	Office Building	380,000
445 Melville LLC	Office Building	358,000
Long Island Lighting Co.	Utility	351,229
Huntington Quadrangle 2, LLC	Office Building	350,000
Keyspan Corporation	Utility	341,129
Huntington Quadrangle #1 Company, LLC	Commercial	325,000
Blue Pearl Hospitality LLC	Hotel	325,000
Pinelawn Road South	Commercial	321,000
BEWCO Corporation	Commercial	305,000
We're Developing, LLC	Commercial	288,000
Elwood Properties, Inc.	Commercial	270,000
UL LLC	Commercial	263,500
	Total ^a	<u><u>\$7,886,981</u></u>

Source: Town Assessment Roll.

a. Represents 8.27% of the Assessed Valuation of the District for 2019-2020.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

RISK FACTORS

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 pandemic and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*Impact of COVID-19*", "*State Aid*" and "*Events Affecting New York School Districts*" herein).

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*TAX MATTERS*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" under "*TAX INFORMATION*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Notes.

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats. To mitigate the risk of business operations, the District actively manages various forms of cybersecurity and operational controls, contracts yearly with outside independent auditors to evaluate, assess and constantly improve existing processes and procedures, and has invested in school cyber insurance to mitigate liability and the cost of remedy should a cyber attack occur.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “tax-exempt Premium Note”). In general, under Section 171 of the Code, an owner of a tax-exempt Premium Note must amortize the note premium over the remaining term of the tax-exempt Premium Note, based on the owner’s yield over the remaining term of the tax-exempt Premium Note, determined based on constant yield principles (in certain cases involving a tax-exempt Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note).

An owner of a tax-exempt Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Note may realize a taxable gain upon disposition of the tax-exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any tax-exempt Premium Note should consult their own tax advisors regarding the treatment of note premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of tax-exempt Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Notes, the District will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as Appendix E.

Disclosure Compliance History

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

<u>Fiscal Year Ending June 30:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2015	12/18/2015	11/18/2015
2016	12/09/2016	10/27/2016
2017	11/27/2017	10/24/2017
2018	12/04/2018	12/04/2018
2019	12/05/2019	11/14/2019

RATINGS

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, has assigned a rating of "Aa1" to the outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the outstanding bonds or the availability of a secondary market for such bonds.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Anne Marie Marrone Caliendo, Assistant Superintendent for Finance and Facilities, Half Hollow Hills Central School District of Huntington and Babylon, 525 Half Hollow Road, Dix Hills, NY 11746, Phone (631) 592-3030, Fax (631) 592-3930 and email: acaliendo@hfh.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District’s management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the repositories. When used in District’s documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s ERIC GERINGSWALD
President of the Board of Education
Half Hollow Hills Central School District
of Huntington and Babylon
Dix Hills, New York

September , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 178,513,665	\$ 182,731,977	\$ 183,952,382	\$ 188,047,459	\$ 193,877,714
Other Tax Items - Including STAR	14,994,959	15,889,064	15,296,027	16,016,008	16,454,031
Charges for Services	1,999,859	1,648,377	1,515,719	1,668,164	1,579,293
Use of Money and Property	368,450	467,856	451,126	896,924	1,944,639
Sale of Property & Compensation for Loss	106,636	101,111	202,622	93,367	129,896
Miscellaneous	773,867	809,237	787,866	661,961	1,642,083
Interfund Revenues	1,609		2,798		
State Sources	27,350,753	29,268,029	32,391,682	32,611,723	32,318,145
Federal Sources	0	31,777	384,980		
Medicaid Reimbursements		83,785	106,783	116,573	127,771
Total Revenues	<u>224,109,798</u>	<u>231,031,213</u>	<u>235,091,985</u>	<u>240,112,179</u>	<u>248,073,572</u>
Expenditures:					
General Support	19,379,513	19,910,379	20,280,907	20,460,405	20,985,358
Instruction	121,698,183	128,474,560	130,065,745	133,025,380	134,754,779
Pupil Transportation	13,264,392	13,887,845	13,974,977	14,392,272	14,760,055
Community Service	124,999	119,527	116,612	101,139	102,469
Employee Benefits	56,065,596	54,166,741	57,750,422	57,322,573	58,048,563
Debt Service	42,972	71,659	263,336	303,354	569,490
Total Expenditures	<u>210,575,655</u>	<u>216,630,711</u>	<u>222,451,999</u>	<u>225,605,123</u>	<u>229,220,714</u>
Other Sources and Uses:					
Premium on Obligation					275,455
Operating Transfers (In)	2,089		5,917		
Operating Transfers (Out)	<u>(12,879,725)</u>	<u>(13,470,884)</u>	<u>(10,987,889)</u>	<u>(12,923,646)</u>	<u>(15,654,488)</u>
Total Other Sources and Uses	<u>(12,877,636)</u>	<u>(13,470,884)</u>	<u>(10,981,972)</u>	<u>(12,923,646)</u>	<u>(15,379,033)</u>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses					
	656,507	929,618	1,658,014	1,583,410	3,473,825
Net Adjustments to Fund Balances					
Fund Balance - Beg. of Year	<u>41,543,886</u>	<u>42,200,393</u>	<u>43,130,011</u>	<u>44,788,025</u>	<u>46,371,435</u>
Fund Balance - End of Year	<u>\$ 42,200,393</u>	<u>\$ 43,130,011</u>	<u>\$ 44,788,025</u>	<u>\$ 46,371,435</u>	<u>\$ 49,845,260</u>

Sources: Audited Financial Statements of the District (2015-2019)

NOTE: This table NOT audited

Balance Sheet - General Fund

Fiscal Year Ended June 30:

ASSETS:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cash			
Unrestricted	\$ 24,065,131	\$ 22,831,150	\$ 22,179,721
Restricted	32,077,591	33,073,429	36,871,125
Receivables:			
Accounts Receivable	282,319	222,001	500,051
State and Federal Aid	2,990,927	2,585,767	3,476,205
Due From Other Governments	3,549,907	4,048,544	2,687,404
Due From Other Funds	<u>1,615,325</u>	<u>2,438,969</u>	<u>2,756,115</u>
 Total Assets	 <u>\$ 64,581,200</u>	 <u>\$ 65,199,860</u>	 <u>\$ 68,470,621</u>

LIABILITIES:

Payables:

Accounts Payable	\$ 4,118,864	\$ 4,036,125	\$ 4,039,991
Accrued Liabilities	272,906	447,874	582,095
Due To Other Funds	266,015	264,874	568,584
Due To Teachers' Retirement System	11,378,604	9,642,790	10,543,089
Due To Employees Retirement System	1,231,170	1,420,075	1,464,163
Deferred Revenues	2,257,830	2,684,445	763,678
Collections in Advance		112,500	
Compensated Absences	<u>267,786</u>	<u>219,742</u>	<u>663,761</u>
 Total Liabilities	 <u>\$ 19,793,175</u>	 <u>\$ 18,828,425</u>	 <u>\$ 18,625,361</u>

FUND BALANCES:

Restricted	\$ 30,088,045	\$ 32,730,051	\$ 36,139,371
Assigned	3,390,020	3,496,941	3,311,532
Unassigned	<u>9,651,946</u>	<u>10,144,443</u>	<u>10,394,357</u>
 Total Fund Balances	 <u>43,130,011</u>	 <u>46,371,435</u>	 <u>49,845,260</u>
 Total Liabilities and Fund Balances	 <u>\$ 62,923,186</u>	 <u>\$ 65,199,860</u>	 <u>\$ 68,470,621</u>

Sources: Audited Financial Statements for the Fiscal Years Ending 2017-2019

NOTE: This table NOT audited

Budget Summary
Fiscal Year Ending June 30:

	<u>2020-2021^a</u>	<u>2019-2020^b</u>
Revenues:		
Real Property Taxes	\$ 213,700,033	\$ 209,530,378
Other Real Property Tax Items	4,534,033	4,604,569
Charges for Services	1,295,000	1,275,000
Use of Money and Property	1,522,283	1,625,000
Sale of Property & Comp. for Loss	509,000	384,000
Miscellaneous Income	1,100,000	1,100,000
State Aid	30,022,986	31,699,982
Federal Aid	140,000	140,000
Appropriation of Fund Balance from Prior Fiscal Year	4,789,345	2,500,000
Reserves	<u>7,000,000</u>	<u>7,000,000</u>
 Total Revenues	 <u>\$ 264,612,680</u>	 <u>\$ 259,858,929</u>
 Expenditures:		
General Support	\$ 23,649,685	\$ 22,944,767
Instruction	145,865,857	143,235,414
Pupil Transportation	16,767,322	15,919,737
Community Services	126,400	126,400
Employee Benefits	65,962,500	62,800,073
Debt Service/Interfund Transfers	<u>12,240,916</u>	<u>14,832,538</u>
 Total Expenditures	 <u>\$ 264,612,680</u>	 <u>\$ 259,858,929</u>

(a) Approved by the voters of the District on June 9, 2020.

(b) Approved by the voters of the District on May 21, 2019.

APPENDIX B

CASH FLOWS

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT

CASH FLOW SUMMARY 2019-2020 (Actual through June)^a

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec 1-20	Dec 21-31	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance ^b	59,051	50,157	42,382	30,298	62,967	37,001	22,043	18,910	56,974	48,537	47,059	30,180	49,641	59,051
Receipts														
Property Taxes ^c							2,905	103,316	11,633	1,705	1,660	52,915	35,065	209,199
STAR Payment								8,769						8,769
State Aid ^d	66	2,616	6,297	5,234	4,685	2,234		853	343	11,015	970		2,628	36,941
Other Receipts	2,249	243	341	7,424	315	160	24	564	1,423	3,289	161	121	59,857	76,171
TAN Proceeds				43,215										43,215
Total Receipts	2,315	2,859	6,638	55,873	5,000	2,394	2,929	113,502	13,399	16,009	2,791	53,036	97,550	374,295
Disbursements														
Operating Expenses	9,537	8,693	18,069	22,244	30,299	16,353	6,062	74,418	20,421	17,487	16,385	24,798	43,388	308,154
Transfer to Note Payment Account												7,935	35,065	43,000
Note Interest Payment ^e													561	561
Other Debt Service	367	1,288		307	14	346		367	110		2,632	189	2,776	8,396
Other Disbursements - Library	1,305	653	653	653	653	653		653	1,305		653	653		7,834
Total Disbursements	11,209	10,634	18,722	23,204	30,966	17,352	6,062	75,438	21,836	17,487	19,670	33,575	81,790	367,945
Balance	50,157	42,382	30,298	62,967	37,001	22,043	18,910	56,974	48,537	47,059	30,180	49,641	65,401	65,401
Note Payment Account^f														
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	7,935	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	7,935	35,065	43,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	43,000	43,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	7,935	0	0

a. Any extensions granted to pay school district property taxes, without interest or penalty, may impact the anticipated timing of the receipt of property taxes by the District.

See "Tax Collection Procedure" for more information.

b. Balance as of June 30, 2019 and includes property taxes. Balance includes certain reserves.

c. Includes Library tax levy in the amount of \$7,833.

d. The State Aid line includes Federal and School Lunch pass-through monies on the Actual Cash Flow while the Estimated Cash Flow does not.

e. Interest at the rate of Net Interest Coupon.

f. Note Payment Account Transactions reflect amounts set aside to pay the principal of 2019-2020 tax anticipation notes, and the payment of principal of such notes at their maturity. Interest on such notes is not reflected in the Note Payment Account.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT

CASH FLOW SUMMARY 2020-2021 (Projected)^a
 (General Fund Only)
 (000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance ^b	65,401	55,640	47,196	27,328	51,640	29,000	5,698	98,327	88,495	79,163	56,160	67,653	65,401
Receipts													
Property Taxes ^c							103,663	9,817	1,241	2,329	32,312	62,338	211,700
STAR Payment ^d							8,000						8,000
State Aid ^{de}		688	2,823	3,339	3,425	1,663			7,881			4,198	24,017
Other Receipts	251	352	406	432	287	272	2,240	1,807	406	507	312	1,828	9,100
TAN Proceeds				50,000									50,000
Total Receipts	251	1,040	3,229	53,771	3,712	1,935	113,903	11,624	9,528	2,836	32,624	68,364	302,817
Disbursements													
Operating Expenses	8,624	7,502	22,430	28,543	25,674	24,284	20,240	20,703	18,193	22,478	20,273	36,561	255,505
Transfer to Note Payment Account												50,000	50,000
Note Interest Payment ^f												800	800
Other Debt Service	367	1,315		249	11	286	367	86		2,694	191	2,741	8,307
Other Disbursements - Library	1,021	667	667	667	667	667	667	667	667	667	667	312	7,999
Total Disbursements	10,012	9,484	23,097	29,459	26,352	25,237	21,274	21,456	18,860	25,839	21,131	90,414	322,611
Balance	55,640	47,196	27,328	51,640	29,000	5,698	98,327	88,495	79,163	56,160	67,653	45,603	45,607
Note Payment Account^g													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	50,000	50,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	50,000	50,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Any extensions granted to pay school district property taxes, without interest or penalty, may impact the anticipated timing of the receipt of property taxes by the District.

See "Tax Collection Procedure" for more information.

b. Balance as of June 30, 2020 and includes property taxes. Balance includes certain reserves.

c. Includes Library tax levy in the amount of \$7,999.

d. The State Aid line includes Federal and School Lunch pass-through monies on the Actual Cash Flow while the Estimated Cash Flow does not.

e. Budgeted State Aid revenues and STAR Aid reduced by 20%

f. Interest at the rate of Net Interest Coupon.

g. Note Payment Account Transactions reflect amounts set aside to pay the principal of 2019-2020 tax anticipation notes, and the payment of principal of such notes at their maturity. Interest on such notes is not reflected in the Note Payment Account.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON**

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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DONALD J. HOFFMANN, CPA
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ALAN YU, CPA

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, 2019, 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, 2019, 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 15 and 52 through 56, 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 57 through 59 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 22, 2019 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 22, 2019

**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, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

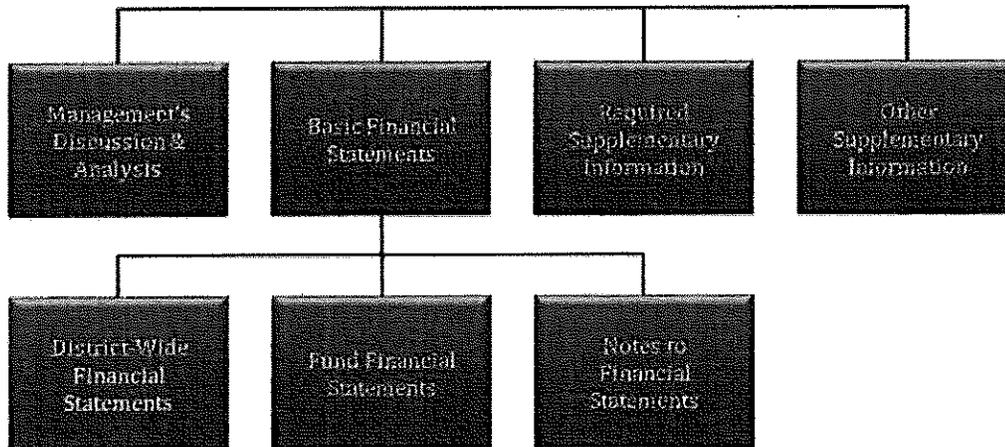
Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$5,244,130. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting. The total net position (deficit) at June 30, 2019 is \$(280,309,743).
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$259,327,183. Of this amount, \$9,219,252 was offset by program charges for services and operating grants. General revenues of \$244,863,801 amount to 96.4% 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 \$3,473,825 to \$49,845,260. As of June 30, 2019, the unassigned fund balance of \$10,394,357 is 4% of the voter approved 2019-2020 budget and is in compliance with Section 1318 of the New York State Real Property Tax Law.
- School district library serial bonds in the amount of \$14,500,000 were issued during the year. Principal payments are due every June 15th through 2038 with interest payable semi-annually at rates ranging from 1.55% to 5.00%. The debt service on these bonds will not affect the District's tax levy as the Library is responsible for the payment of principal and interest.
- The District's 2019 property tax levy of \$204,436,140 was a 2.47% increase over the 2018 tax levy and was equal to the property tax cap.
- The budget for the 2019-2020 school year in the amount of \$259,858,929 was approved by the voters on May 21, 2019.
- 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 2019-2020 school year, knowing that the District would be under even further financial constraints, as employee benefit costs continue to rise and property tax increases are limited by the property tax cap. These constraints create a challenging financial environment for the District.

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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.

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

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 understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in 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.

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$5,244,130 between fiscal year 2019 and 2018. The decrease is due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 90,880,504	\$ 70,793,706	\$ 20,086,798	28.37 %
Capital Assets, Net	101,039,606	103,883,355	(2,843,749)	(2.74)%
Net Pension Asset - Proportionate Share	10,534,364	4,520,958	6,013,406	133.01 %
Total Assets	202,454,474	179,198,019	23,256,455	12.98 %
Deferred Outflows of Resources	62,946,166	71,951,278	(9,005,112)	(12.52)%
Liabilities				
Current and Other Liabilities	17,872,448	16,674,362	1,198,086	7.19 %
Long-Term Liabilities	69,035,482	61,907,958	7,127,524	11.51 %
Net Pension Liability - Proportionate Share	7,035,694	3,416,072	3,619,622	105.96 %
Total OPEB Obligation	407,435,495	420,764,541	(13,329,046)	(3.17)%
Total Liabilities	501,379,119	502,762,933	(1,383,814)	(0.28)%
Deferred Inflows of Resources	44,331,264	23,451,977	20,879,287	89.03 %
Net Position (Deficit)				
Net Investment in Capital Assets	71,264,551	68,524,443	2,740,108	4.00 %
Restricted	36,983,178	33,563,923	3,419,255	10.19 %
Unrestricted (Deficit)	(388,557,472)	(377,153,979)	(11,403,493)	3.02 %
Total Net Position (Deficit)	\$ (280,309,743)	\$ (275,065,613)	\$ (5,244,130)	1.91 %

Current and other assets increased by \$20,086,798 to \$90,880,504. This was primarily due to an increase in cash of \$20,187,450, which includes \$13,239,866 of unspent bond proceeds held at the Half Hollow Hills Community Library pursuant to the District issuing serial bonds on its behalf.

Capital assets, net decreased during the year by \$2,843,749. The District capitalized \$5,402,895 of construction costs and equipment purchases, which was offset by depreciation expense in the amount of \$8,246,644.

Net pension asset – proportionate share, which increased by \$6,013,406 over the prior year, 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 13 "Pension Plans – New York State", provides additional information.

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

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

Current and other liabilities increased \$1,198,086, as compared to the prior year. This increase is primarily due to increases in amounts due to teachers' retirement system of \$900,299 and compensated absences payable of \$444,019, offset by a decrease in due to other governments of \$264,750.

Long-term liabilities increased by \$7,127,524, as compared to the prior year. During 2018-2019, the District issued a serial bond on behalf of the Half Hollow Hills Community Library for \$14,500,000 and received a premium on this issuance of \$663,830. These long-term debt increases were offset by the repayment of outstanding serial bonds and energy performance contract debt of \$6,265,000 and \$578,991, respectively. In addition, other long-term liabilities for compensated absences increased by \$451,469 while workers' compensation decreased by \$1,121,066.

Net pension liability – proportionate share increased by \$3,619,622 in the current year. This liability 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 13 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation decreased by \$13,329,046, based on the updated actuarial valuation. The accompanying Notes to Financial Statements, Note 15 "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 calculated by taking the total cost of all asset acquisitions, net of accumulated depreciation and subtracting the amount of outstanding debt used for these acquisitions. The total cost of asset acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations. This amount increased by \$2,740,108 over the prior year.

The restricted amount of \$36,983,178 relates to the District's reserves. This amount increased over the prior year by \$3,419,255. The increase to the restricted amount is due to Board approved additions totaling \$9,613,122 and interest earnings of \$594,328, net of the use of restricted amounts to pay current period expenses totaling \$6,788,195.

The unrestricted deficit amount of \$(388,557,472) 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, 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 obligation. The deficit increased over the prior year by \$11,403,493.

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

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements 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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 3,722,688	\$ 3,768,530	\$ (45,842)	(1.22)%
Operating Grants	5,496,564	5,326,627	169,937	3.19 %
General Revenues				
Property Taxes and STAR	204,453,969	199,505,157	4,948,812	2.48 %
State Sources	32,568,145	32,611,723	(43,578)	(0.13)%
Other	7,841,687	6,666,381	1,175,306	17.63 %
Total Revenues	<u>254,083,053</u>	<u>247,878,418</u>	<u>6,204,635</u>	2.50 %
Expenses				
General Support	27,387,941	27,538,295	(150,354)	(0.55)%
Instruction	209,608,923	213,772,921	(4,163,998)	(1.95)%
Pupil Transportation	17,105,291	17,188,982	(83,691)	(0.49)%
Community Service	155,964	161,124	(5,160)	(3.20)%
Debt Service - Interest	1,864,834	1,627,113	237,721	14.61 %
Food Service Program	3,204,230	3,055,948	148,282	4.85 %
Total Expenses	<u>259,327,183</u>	<u>263,344,383</u>	<u>(4,017,200)</u>	(1.53)%
Decrease in Net Position	<u>\$ (5,244,130)</u>	<u>\$ (15,465,965)</u>	<u>\$ 10,221,835</u>	(66.09)%

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, 2019, the loss was \$5,244,130 compared to a \$15,465,965 loss in the prior year.

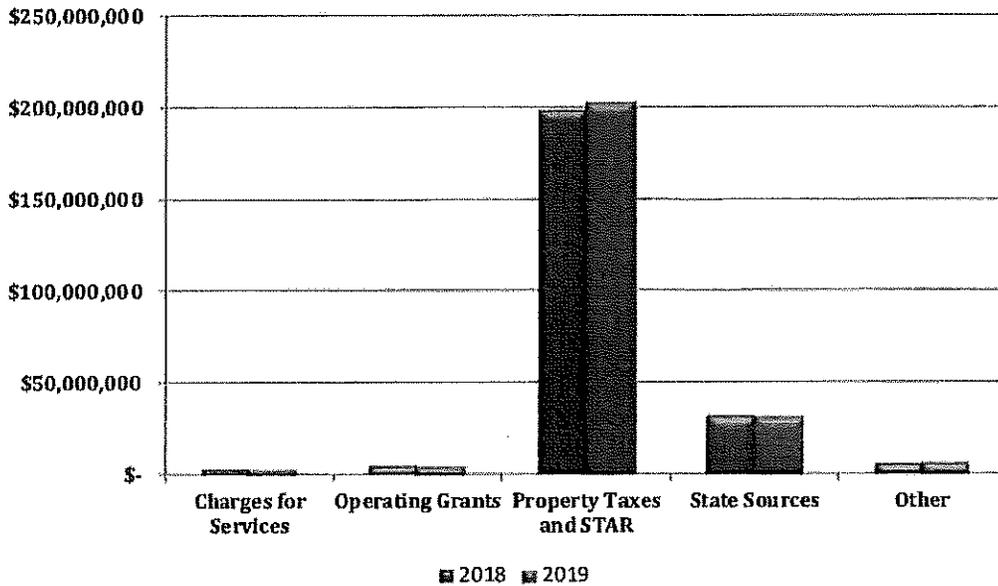
Revenues increased by \$6,204,635 or 2.50%, as compared to the prior year. The increase was primarily the result of increases in property taxes and STAR of \$4,948,812 and other revenues of \$1,175,306.

The District's expenses for the year decreased by \$4,017,200 or 1.53%, primarily attributable to changes in assumptions related to the other postemployment benefit obligation. This decrease was offset by increases in contractual costs for payroll and other instructional expenses to support programs.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 80.5% of the total for both years). Instruction expense is the largest category of expenses incurred (i.e., 80.8% and 81.1% of the total for the years 2019 and 2018, respectively).

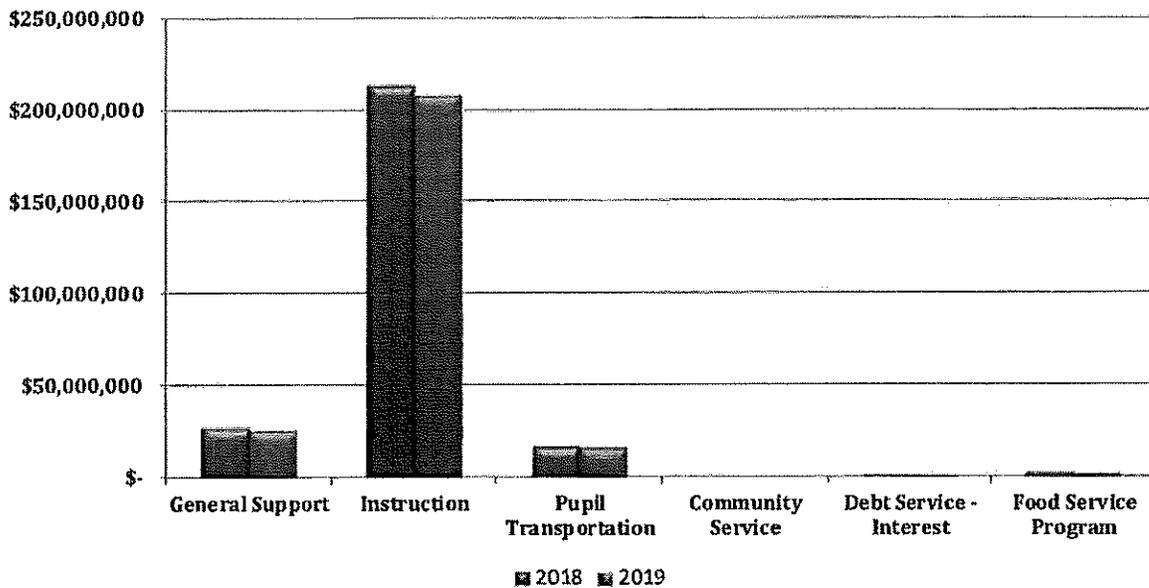
**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2018	1.5%	2.1%	80.5%	13.2%	2.7%
2019	1.5%	2.2%	80.5%	12.8%	3.0%

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
2018	10.5%	81.1%	6.5%	0.1%	0.6%	1.2%
2019	10.6%	80.8%	6.6%	0.1%	0.7%	1.2%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$72,320,864, which is an increase of \$20,532,184 over the prior year. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	\$ 6,217,631	\$ 7,011,148	\$ (793,517)
Unemployment insurance	2,895,815	2,882,021	13,794
Retirement contribution			
Teachers' retirement system	1,800,000		1,800,000
Employees' retirement system	9,190,001	5,426,701	3,763,300
Property loss	503,246	494,418	8,828
Liability	18,650	18,323	327
Employee benefit accrued liability	15,514,028	16,897,440	(1,383,412)
Assigned:			
Appropriated fund balance	2,500,000	2,500,000	-
Unappropriated fund balance	811,532	996,941	(185,409)
Unassigned: Fund balance	10,394,357	10,144,443	249,914
	<u>49,845,260</u>	<u>46,371,435</u>	<u>3,473,825</u>
School Food Service Fund			
Nonspendable: Inventory	43,150	49,531	(6,381)
Assigned: Unappropriated fund balance	6,381		6,381
	<u>49,531</u>	<u>49,531</u>	<u>-</u>
Debt Service Fund			
Restricted: Debt service	1,232,182	833,872	398,310
Capital Projects Fund			
Restricted: Unspent bond proceeds	13,239,866	-	13,239,866
Assigned: Unappropriated fund balance	7,954,025	4,533,842	3,420,183
	<u>21,193,891</u>	<u>4,533,842</u>	<u>16,660,049</u>
 Total Fund Balance	 <u>\$ 72,320,864</u>	 <u>\$ 51,788,680</u>	 <u>\$ 20,532,184</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$3,473,825, compared to an increase of \$1,583,410 in the prior year. Revenues and other financing sources increased \$8,236,848 over the prior year. The increase is primarily the result of increases in property taxes of \$5,830,255, other tax items of \$438,023, use of money and property of \$1,047,715 and miscellaneous revenue of \$980,577. Expenditures and other financing uses increased by \$6,346,433 over the prior year. The increase is primarily the result of an increase in instruction expenditures of \$1,729,399, employee benefits of \$725,990 and operating transfers out of \$2,730,842.

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

B. School Food Service Fund

There was no change in the school food service fund – fund balance in the current year. The general fund transferred \$187,503 to the fund to eliminate the current year operating deficit.

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$398,310, which represents a portion of the premium on the issuance of Library serial bonds of \$388,375 and interest earned in the fund of \$9,934 during the 2018-2019 school year.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$16,660,049. The increase is due to the District issuing serial bonds on behalf of the Half Hollow Hills Community Library in the amount of \$14,500,000, miscellaneous revenue of \$10,000 and interfund transfers from the general fund of \$6,050,000. Expenditures relating to capital outlay totaling \$3,899,951 offset these increases.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$253,611,084. This amount was increased by encumbrances carried forward from the prior year in the amount of \$996,941 and budget revisions of \$2,681,091, for a total final budget of \$257,289,116.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was property taxes and State aid.

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	\$ 10,144,443
Fund Balance Appropriated for Budget Revision	(1,250,000)
Revenues Over Budget	3,623,519
Expenditures and Encumbrances Under Budget	11,602,382
Unused Appropriated Reserves	(1,028,471)
Interest Allocated to Reserves	(584,394)
Transfers to Reserves	(9,613,122)
Appropriated to Fund the June 30, 2020 Budget	<u>(2,500,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 10,394,357</u>

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

Opening, Unassigned Fund Balance

The \$10,144,443 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4.0% of the District's 2018-2019 approved operating budget of \$253,611,084, which is the maximum unassigned fund balance permitted by law.

Fund Balance Appropriated for Budget Revision

During the 2018-2019 school year, the District appropriated \$1,250,000 from unassigned fund balance in the general fund for an emergency District-wide project to replace lockset doors.

Revenues Over Budget

The District's 2018-2019 final budget for revenues was \$244,725,508. Actual revenues recognized for the year exceeded estimates by \$3,623,519. Other tax items, charges for services, use of money and property, miscellaneous revenues and state aid exceeded amounts estimated by \$3,555,774, which contributes directly to the change in general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$257,289,116. Actual expenditures as of June 30, 2019 were \$244,875,202 and outstanding encumbrances were \$811,532. The final budget was under expended by \$11,602,382, mainly in the areas of central services, instruction and employee benefits. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Unused Appropriated Reserves

In the 2018-2019 budget, \$7,816,667 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated reserve expenditures, \$1,028,471 of this funding, \$181,300 from the reserve for workers' compensation, \$62,336 from the reserve for unemployment, and \$784,835 from the retirement contribution reserve, was not needed and, therefore, it was returned to the reserves and is available for future use.

Transfers to Reserves

The following transfers were made to the reserves during the year:

Board Approved Transfers	
Retirement contribution	
Teachers' retirement system	\$ 1,800,000
Employees' retirement system	<u>7,813,122</u>
Total	<u>\$ 9,613,122</u>

Additionally, interest earnings of \$584,394 were allocated to the reserves.

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

Appropriated Fund Balance

The District has chosen to use \$2,500,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 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, 2019 was \$10,394,357. This amount equals 4.0% of the 2019-2020 budget and is at the statutory limit.

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$8,246,644 in excess of capital additions of \$5,402,895 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 2,629,860	\$ 2,629,860	\$ -
Construction in progress	3,898,503	2,134,904	1,763,599
Buildings and improvements	85,644,297	89,525,428	(3,881,131)
Site improvements	2,475,490	2,868,235	(392,745)
Vehicles	1,540,614	1,479,694	60,920
Furniture and equipment	4,850,842	5,245,234	(394,392)
Capital assets, net	<u>\$ 101,039,606</u>	<u>\$ 103,883,355</u>	<u>\$ (2,843,749)</u>

B. Debt Administration

At June 30, 2019, the District had total bonds payable (par value) of \$38,100,000. 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 \$4,914,921 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, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
Bonds Payable				
2007	3.78% - 4.35%	\$ 3,870,000	\$ 5,810,000	\$ (1,940,000)
2008	3.50% - 4.00%	735,000	900,000	(165,000)
2013	3.00% - 5.00%	13,495,000	15,735,000	(2,240,000)
2013	2.00% - 5.00%	6,305,000	7,420,000	(1,115,000)
2019	1.55% - 5.00%	13,695,000		13,695,000
		<u>\$ 38,100,000</u>	<u>\$ 29,865,000</u>	<u>\$ 8,235,000</u>
Installment Purchase Debt				
12/7/2010	2.89%	<u>\$ 4,914,921</u>	<u>\$ 5,493,912</u>	<u>\$ (578,991)</u>

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

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, 2019 are approximately 2.77% 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.

	2019	2018	Increase (Decrease)
Compensated absences	\$ 21,064,241	\$ 20,612,772	\$ 451,469
Workers' compensation liabilities	3,099,496	4,220,562	(1,121,066)
Net Pension liability - proportionate share	7,035,694	3,416,072	3,619,622
Total OPEB obligation	<u>407,435,495</u>	<u>420,764,541</u>	<u>(13,329,046)</u>
	<u>\$ 438,634,926</u>	<u>\$ 449,013,947</u>	<u>\$ (10,379,021)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is \$259,858,929. This is an increase of \$6,247,845 or 2.46% over the previous year's budget. The increase is principally in the instruction area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$1,970,274 increase. This increase is principally due to an estimated increase in miscellaneous revenue. The reserves appropriated to the 2019-2020 budget is an \$816,667 decrease from the previous year. A property tax levy increase of 2.49% was needed to meet the revenue shortfall and cover the increase in appropriations.

B. 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 2019-2020 property tax increase of 2.49% was equal to the tax cap and did not require an override vote.

C. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

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

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-20 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

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, 2019

ASSETS	
Cash	
Unrestricted	\$ 30,960,885
Restricted	50,611,419
Receivables	
Accounts receivable	512,331
Due from fiduciary funds	635,086
Due from state and federal	5,361,518
Due from other governments	2,756,115
Inventories	43,150
Capital assets:	
Not being depreciated	6,528,363
Being depreciated, net of accumulated depreciation	94,511,243
Net pension asset - proportionate share	<u>10,534,364</u>
Total Assets	<u>202,454,474</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advance refunding of bonds	462,683
Pensions	62,090,168
Other postemployment benefits	<u>393,315</u>
Total Deferred Outflows of Resources	<u>62,946,166</u>
LIABILITIES	
Payables	
Accounts payable	4,054,571
Accrued liabilities	908,581
Due to fiduciary funds	87,880
Due to other governments	303
Due to teachers' retirement system	10,543,089
Due to employees' retirement system	1,464,163
Compensated absences payable	663,761
Unearned credits - Collections in advance	150,100
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	6,516,216
Installment purchase debt payable	595,845
Compensated absences payable	1,100,000
Workers' compensation liabilities	900,000
Due and payable after one year	
Bonds payable, net	33,440,608
Installment purchase debt payable	4,319,076
Compensated absences payable	19,964,241
Workers' compensation liabilities	2,199,496
Net pension liability - proportionate share	7,035,694
Total other postemployment benefits obligation	<u>407,435,495</u>
Total Liabilities	<u>501,379,119</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	15,853,653
Other postemployment benefits	<u>28,477,611</u>
Total Deferred Inflows of Resources	<u>44,331,264</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>71,264,551</u>
Restricted	
Workers' compensation	6,217,631
Unemployment insurance	2,895,815
Retirement contribution	
Teachers' retirement system	1,800,000
Employees' retirement system	9,190,001
Property loss	503,246
Liability	18,650
Employee benefit accrued liability	15,514,028
Debt service	<u>843,807</u>
Unrestricted (Deficit)	<u>(388,557,472)</u>
Total Net Position (Deficit)	<u>\$ (280,309,743)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 27,387,941	\$	\$	\$ (27,387,941)
Instruction	209,608,923	1,571,996	4,578,814	(203,458,113)
Pupil transportation	17,105,291			(17,105,291)
Community service	155,964			(155,964)
Debt service - interest	1,864,834			(1,864,834)
Food service program	3,204,230	2,150,692	917,750	(135,788)
	<u>\$ 259,327,183</u>	<u>\$ 3,722,688</u>	<u>\$ 5,496,564</u>	<u>(250,107,931)</u>
Total Functions and Programs				
GENERAL REVENUES				
Real property taxes				193,877,714
Other tax items				14,540,561
Use of money and property				1,967,631
Sale of property and compensation for loss				129,896
Miscellaneous				1,652,083
State sources				32,568,145
Medicaid reimbursement				127,771
				<u>244,863,801</u>
Total General Revenues				
Change in Net Position				(5,244,130)
Total Net Position (Deficit) - Beginning of Year				<u>(275,065,613)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (280,309,743)</u>

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 22,179,721	\$ 120,416	\$ 88,716	\$	\$ 8,572,032	\$ 30,960,885
Restricted	36,871,125			500,428	13,239,866	50,611,419
Receivables						
Accounts receivable	500,051		12,280			512,331
Due from other funds	3,476,205			735,753	7,310,234	11,522,192
Due from state and federal	2,687,404	2,372,565	51,549		250,000	5,361,518
Due from other governments	2,756,115					2,756,115
Inventories			43,150			43,150
Total Assets	\$ 68,470,621	\$ 2,492,981	\$ 195,695	\$ 1,236,181	\$ 29,372,132	\$ 101,767,610
LIABILITIES						
Payables						
Accounts payable	\$ 4,039,991	\$ 10,132	\$ 4,448	\$	\$	\$ 4,054,571
Accrued liabilities	582,095					582,095
Due to other funds	568,584	2,461,878	12,284	3,999	7,928,241	10,974,986
Due to other governments			303			303
Due to teachers' retirement system	10,543,089					10,543,089
Due to employees' retirement system	1,464,163					1,464,163
Compensated absences payable	663,761					663,761
Unearned credits						
Collections in advance		20,971	129,129			150,100
Total Liabilities	17,861,683	2,492,981	146,164	3,999	7,928,241	28,433,068
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	763,678				250,000	1,013,678
FUND BALANCES						
Nonspendable: Inventories						
			43,150			43,150
Restricted:						
Workers' compensation	6,217,631					6,217,631
Unemployment insurance	2,895,815					2,895,815
Retirement contribution						
Teachers' retirement system	1,800,000					1,800,000
Employees' retirement system	9,190,001					9,190,001
Property loss	503,246					503,246
Liability	18,650					18,650
Employee benefit accrued liability	15,514,028					15,514,028
Debt service				1,232,182		1,232,182
Unspent bond proceeds					13,239,866	13,239,866
Assigned:						
Appropriated fund balance	2,500,000					2,500,000
Unappropriated fund balance	811,532		6,381		7,954,025	8,771,938
Unassigned: Fund balance	10,394,357					10,394,357
Total Fund Balances	49,845,260	-	49,531	1,232,182	21,193,891	72,320,864
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 68,470,621	\$ 2,492,981	\$ 195,695	\$ 1,236,181	\$ 29,372,132	\$ 101,767,610

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 72,320,864

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	\$ 255,974,058	
Accumulated depreciation	<u>(154,934,452)</u>	101,039,606

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

Net pension asset - teachers' retirement system	10,534,364	
Deferred outflows of resources	62,090,168	
Net pension liability - employees' retirement system	(7,035,694)	
Deferred inflows of resources	<u>(15,853,653)</u>	49,735,185

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>(1,515,763)</u>	462,683

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

Deferred outflows of resources	393,315	
Total other postemployment benefits obligation	(407,435,495)	
Deferred inflows of resources	<u>(28,477,611)</u>	(435,519,791)

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

1,013,678

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

Accrued interest on bonds payable	(326,486)	
Bonds payable, net	(39,956,824)	
Installment purchase debt payable	(4,914,921)	
Compensated absences payable	(21,064,241)	
Workers' compensation liabilities	<u>(3,099,496)</u>	(69,361,968)

Total Net Position (Deficit)		<u>\$ (280,309,743)</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, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 193,877,714	\$	\$	\$	\$	\$ 193,877,714
Other tax items	16,454,031					16,454,031
Charges for services	1,579,293					1,579,293
Use of money and property	1,944,639		13,058	9,934		1,967,631
Sale of property and compensation for loss	129,896					129,896
Miscellaneous	1,642,083	18,483	74,048		10,000	1,744,614
State sources	32,318,145	1,863,039	36,142			34,217,326
Medicaid reimbursement	127,771					127,771
Federal sources		2,697,292	881,608			3,578,900
Sales			2,076,644			2,076,644
Total Revenues	248,073,572	4,578,814	3,081,500	9,934	10,000	255,753,820
EXPENDITURES						
General support	20,985,358					20,985,358
Instruction	134,754,779	5,019,563				139,774,342
Pupil transportation	14,760,055	469,674				15,229,729
Community service	102,469					102,469
Employee benefits	58,048,563		465,679			58,514,242
Debt service						
Principal				6,843,991		6,843,991
Interest	569,490			1,662,570		2,232,060
Food service program			2,803,324			2,803,324
Capital outlay					3,899,951	3,899,951
Total Expenditures	229,220,714	5,489,237	3,269,003	8,506,561	3,899,951	250,385,466
Excess (Deficiency) of Revenues Over Expenditures	18,852,858	(910,423)	(187,503)	(8,496,627)	(3,889,951)	5,368,354
OTHER FINANCING SOURCES AND (USES)						
Proceeds of obligation					14,500,000	14,500,000
Premium on obligation	275,455			388,375		663,830
Operating transfers in		910,423	187,503	8,506,562	6,050,000	15,654,488
Operating transfers (out)	(15,654,488)					(15,654,488)
Total Other Financing Sources and (Uses)	(15,379,033)	910,423	187,503	8,894,937	20,550,000	15,163,830
Net Change in Fund Balances	3,473,825	-	-	398,310	16,660,049	20,532,184
Fund Balances - Beginning of Year	46,371,435	-	49,531	833,872	4,533,842	51,788,680
Fund Balances - End of Year	\$ 49,845,260	\$ -	\$ 49,531	\$ 1,232,182	\$ 21,193,891	\$ 72,320,864

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, 2019

Net Change in Fund Balances \$ 20,532,184

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

Long-Term Revenue and Expense Differences

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

Change in unavailable revenue \$ (1,670,767)

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 1,121,066

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 (451,469) (1,001,170)

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 depreciation exceeded capital outlays in the period.

Capital outlays 5,402,895
 Depreciation expense (8,246,644) (2,843,749)

Long-Term Debt Transaction Differences

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

Proceeds of issuance of serial bonds (14,500,000)
 Premiums on obligation (663,830)

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. 339,931

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 6,265,000
 Repayment of installment purchase debt 578,991

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, 2018 to June 30, 2019.

27,295 (7,952,613)

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system 1,835,383
 Employees' retirement system (602,162)
 Other postemployment benefits (15,212,003) (13,978,782)

Change in Net Position of Governmental Activities \$ (5,244,130)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 2,618,312	\$ -
Restricted		367,817
Accounts receivable	2,444	
Due from governmental funds	87,880	
Total Assets	\$ 2,708,636	367,817
LIABILITIES		
Extraclassroom activity balances	\$ 425,022	
Due to governmental funds	635,086	
Other liabilities	1,648,528	
Total Liabilities	\$ 2,708,636	-
NET POSITION		
Restricted for scholarships		\$ 367,817

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 16,930
Investment earnings	
Interest	<u>285</u>
Total Additions	17,215
DEDUCTIONS	
Scholarships and awards	<u>22,900</u>
Change in Net Position	(5,685)
Net Position - Beginning of year	<u>373,502</u>
Net Position - End of Year	<u>\$ 367,817</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 Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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 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, such as equipment.

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:

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

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

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 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.

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.

Enforcement

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

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

F. 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.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, 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, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

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

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

J. 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.

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

K. 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 inventorable 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.

L. Capital Assets

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

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

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

M. Deferred 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 four 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. The third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The fourth 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.

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

N. 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.

O. 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) 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 and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The 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.

P. 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.

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

Q. 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 health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. 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. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. 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.

R. 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.

S. 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.

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

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 are recorded in the school food service fund.

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and 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. Effective April 1, 2019, a board may 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.

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

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.

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.

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

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 either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

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

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

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.

3. 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:

Use of unassigned fund balance for emergency project	\$ 1,250,000
Inter-governmental revenue from Library for debt payments	1,070,059
Supplemental state aid to fund programs	300,000
Contingent expenditures funded by gifts and donations	18,281
Repairs funded by insurance recoveries	42,751
	<hr/>
	\$ 2,681,091

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

Budgets are adopted annually on a basis consistent with GAAP.

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.

4. 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.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$10,238,555 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,474,275. 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)

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State - excess cost aid	\$ 1,184,001
BOCES aid	1,492,759
Medicaid	<u>10,644</u>
	2,687,404
Special Aid Fund	
State and federal grants	2,372,565
School Lunch Fund	
Federal and state food service program reimbursement	51,549
Capital Projects Fund	
State and municipal grant	<u>250,000</u>
	<u>\$ 5,361,518</u>

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consists of:

General Fund	
Tuition and health services	\$ 947,846
PILOT payments	<u>1,808,269</u>
	<u>\$ 2,756,115</u>

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,476,205	\$ 568,584	\$	\$ 15,654,488
Special Aid Fund		2,461,878	910,423	
School Food Service Fund		12,284	187,503	
Debt Service Fund	735,753	3,999	8,506,562	
Capital Projects Fund	<u>7,310,234</u>	<u>7,928,241</u>	<u>6,050,000</u>	
Total Governmental Funds	11,522,192	10,974,986	<u>\$ 15,654,488</u>	<u>\$ 15,654,488</u>
Fiduciary Fund	<u>87,880</u>	<u>635,086</u>		
Total	<u>\$ 11,610,072</u>	<u>\$ 11,610,072</u>		

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

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 2018-2019 budgeted transfer, plus a Board of Education approved budget revision for \$1,250,000 for district-wide interior door lockset replacement.

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,629,860	\$	\$	\$ 2,629,860
Construction in progress	2,134,904	3,563,069	(1,799,470)	3,898,503
Total capital assets not being depreciated	<u>4,764,764</u>	<u>3,563,069</u>	<u>(1,799,470)</u>	<u>6,528,363</u>
Capital assets being depreciated				
Buildings and improvements	221,027,875	2,136,351	(1,369,692)	221,794,534
Site improvements	7,548,386		(678,406)	6,869,980
Vehicles	6,910,152	447,873	(245,003)	7,113,022
Furniture and equipment	15,023,850	1,055,072	(2,410,763)	13,668,159
Total capital assets being depreciated	<u>250,510,263</u>	<u>3,639,296</u>	<u>(4,703,864)</u>	<u>249,445,695</u>
Less accumulated depreciation for:				
Buildings and improvements	131,502,447	6,017,482	(1,369,692)	136,150,237
Site improvements	4,680,151	392,745	(678,406)	4,394,490
Vehicles	5,430,458	1,449,463	(1,307,513)	5,572,408
Furniture and equipment	9,778,616	386,954	(1,348,253)	8,817,317
Total accumulated depreciation	<u>151,391,672</u>	<u>8,246,644</u>	<u>(4,703,864)</u>	<u>154,934,452</u>
Total capital assets being depreciated, net	<u>99,118,591</u>	<u>(4,607,348)</u>	<u>-</u>	<u>94,511,243</u>
Capital assets, net	<u>\$ 103,883,355</u>	<u>\$ (1,044,279)</u>	<u>\$ (1,799,470)</u>	<u>\$ 101,039,606</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 291,201
Instruction	7,454,679
Pupil transportation	467,258
Food service	33,506
Total depreciation expense	<u>\$ 8,246,644</u>

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

10. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2019</u>
TAN	6/27/19	3.00%	\$	\$ 41,000,000	\$ (41,000,000)	\$

Interest on short-term debt for the year was \$850,750. The District received a premium of \$281,260 for a net interest cost of \$569,490.

11. 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, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 29,865,000	\$ 14,500,000	\$ (6,265,000)	\$ 38,100,000	\$ 6,085,000
Add: Deferred premium on refunding	<u>1,715,712</u>	<u>663,830</u>	<u>(522,718)</u>	<u>1,856,824</u>	<u>431,216</u>
	31,580,712	15,163,830	(6,787,718)	39,956,824	6,516,216
Installment purchase debt	<u>5,493,912</u>		<u>(578,991)</u>	<u>4,914,921</u>	<u>595,845</u>
	37,074,624	15,163,830	(7,366,709)	44,871,745	7,112,061
<u>Other long-term liabilities:</u>					
Compensated absences	20,612,772	451,469		21,064,241	1,100,000
Workers' compensation	<u>4,220,562</u>		<u>(1,121,066)</u>	<u>3,099,496</u>	<u>900,000</u>
	<u>\$ 61,907,958</u>	<u>\$ 15,615,299</u>	<u>\$ (8,487,775)</u>	<u>\$ 69,035,482</u>	<u>\$ 9,112,061</u>

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, 2019</u>
Serial Bonds				
Refunding Bond	2007	6/15/2021	3.78% - 4.35%	\$ 3,870,000
District-wide construction	2008	5/1/2023	3.50% - 4.00%	735,000
Refunding Bond Series A	2013	4/15/2025	3.00% - 5.00%	13,495,000
Refunding Bond Series B	2013	8/15/2023	2.00% - 5.00%	6,305,000
Serial Bond - Library	2019	6/15/2038	1.55% - 5.00%	<u>13,695,000</u>
				<u>\$ 38,100,000</u>

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

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 6,085,000	\$ 1,578,816	\$ 7,663,816
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
2025-2029	5,120,000	1,688,869	6,808,869
2030-2034	4,010,000	952,419	4,962,419
2035-2038	3,665,000	299,068	3,964,068
Total	<u>\$ 38,100,000</u>	<u>\$ 8,212,383</u>	<u>\$ 46,312,383</u>

C. Amortization of Deferred Amounts

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

Year Ending June 30,	Amortization of Premium	Amortization of Deferred Charges	Interest Expense Increase/ (Decrease)
2020	\$ (431,216)	\$ 153,703	\$ (277,513)
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)
2025-2029	(173,216)		(173,216)
2030-2034	(183,583)		(183,583)
2035-2038	(167,789)		(167,789)
Total	<u>\$ (1,856,824)</u>	<u>\$ 462,683</u>	<u>\$ (1,394,141)</u>

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Energy performance contract	12/7/2010	7/15/2026	2.89%	<u>\$ 4,914,921</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>
2020	\$ 595,845	\$ 137,767	\$ 733,612
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
2025-2027	<u>1,757,130</u>	<u>76,900</u>	<u>1,834,030</u>
Total	<u>\$ 4,914,921</u>	<u>\$ 587,170</u>	<u>\$ 5,502,091</u>

E. Interest Expense

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

Interest paid	\$ 1,662,570
Less interest accrued in the prior year	(353,781)
Plus interest accrued in the current year	326,486
Less amortization of deferred amounts	<u>(339,931)</u>
Total	<u>\$ 1,295,344</u>

12. 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, 2019, the Library bond project is underway and has incurred \$1,260,134 of expenditures that have been recorded in the capital projects fund.

13. 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 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 13.24% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$10,206,576 for TRS and \$4,368,155 for ERS.

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

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

At June 30, 2019, 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, 2018, for TRS and March 31, 2019 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.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 10,534,364	\$ (7,035,694)
District's portion of the Plan's total net pension asset/(liability)	0.5825680%	0.0992998%
Change in proportion since the prior measurement date	(0.0122170)	(0.0065447)

For the year ended June 30, 2019, the District recognized pension expense of \$8,387,344 for TRS and \$5,014,405 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 7,872,245	\$ 1,385,475	\$ 1,425,971	\$ 472,293
Changes of assumptions	36,824,513	1,768,486		
Net difference between projected and actual earnings on pension plan investments			11,693,947	1,805,748
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,357,543	1,211,167	78,297	377,397
District's contributions subsequent to the measurement date	<u>10,206,576</u>	<u>1,464,163</u>		
Total	<u>\$ 56,260,877</u>	<u>\$ 5,829,291</u>	<u>\$ 13,198,215</u>	<u>\$ 2,655,438</u>

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2020	\$ 10,770,776	\$ 1,801,815
2021	7,380,740	(1,135,457)
2022	967,867	70,711
2023	7,355,921	972,621
2024	5,084,168	
Thereafter	1,296,614	
	<u>\$ 32,856,086</u>	<u>\$ 1,709,690</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, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	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-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

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
(Continued)

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, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.25% for TRS and 7.0% 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 (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (72,372,801)	\$ 10,534,364	\$ 79,987,528
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (30,761,176)	\$ (7,035,694)	\$ 12,895,394

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension asset/(liability)	\$ 1,808,264	\$ (7,085,305)
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, 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, 2019 amounted to \$10,206,576 of employer contributions and \$336,513 of employee contributions.

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

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$1,464,163 of employer contributions. Employee contributions are remitted monthly.

14. 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, 2019, totaled \$764,407 and \$5,202,768, 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, 2019 totaled \$986,161.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and life insurance benefits for most retired employees and their survivors. 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,538
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	1,398
	2,936

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

B. Total OPEB Liability

The District's total OPEB liability of \$407,435,495 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Inflation	2.60%
Discount rate	3.50%
Salary increases	2.60% including inflation
Healthcare cost trend rates	7.50% for 2019, decreasing 0.5% per year to an ultimate rate of 4.50% in 7 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, 2019 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, 2018	<u>\$ 420,764,541</u>
Changes for the year	
Service cost	19,004,281
Interest	13,016,243
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(33,473,683)
Benefit payments	<u>(11,875,887)</u>
	<u>(13,329,046)</u>
Balance at June 30, 2019	<u><u>\$ 407,435,495</u></u>

Changes of assumptions and other input reflects a change in the discount rate from 3.00% in 2018 to 3.50% in 2019.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

OPEB	1% Decrease (2.50)%	Discount Rate (3.50)%	1% Increase (4.50)%
Total OPEB liability	<u>\$ (478,442,388)</u>	<u>\$ (407,435,495)</u>	<u>\$ (350,672,329)</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 (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (6.50)% decreasing to (3.50)%	Healthcare Cost Trend Rates (7.50)% decreasing to (4.50)%	1% Increase (8.50)% decreasing to (5.50)%
Total OPEB liability	<u>\$ (335,749,305)</u>	<u>\$ (407,435,495)</u>	<u>\$ (501,814,712)</u>

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

For the year ended June 30, 2019, the District recognized an OPEB expense of \$27,087,890. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 393,315	\$
Changes of assumptions		28,477,611
District’s contributions subsequent to the measurement date		
Total	<u>\$ 393,315</u>	<u>\$ 28,477,611</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:

Year Ending June 30,	Amount
2020	\$ (4,932,634)
2021	(4,932,634)
2022	(4,932,634)
2023	(4,932,634)
2024	(4,932,634)
Thereafter	(3,421,126)
	\$(28,084,296)

16. 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. 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:

	2018	2019
Unpaid claims at beginning of year	\$ 4,148,301	\$ 4,220,562
Incurred claims and claim adjustment expenses	959,402	(124,611)
Claim payments	(887,141)	(996,455)
Unpaid claims at year end	\$ 4,220,562	\$ 3,099,496

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.

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

17. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2020:

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>

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,500,000 has been appropriated to reduce taxes for the year ending June 30, 2020.

19. 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 \$4,540,815. The District received payment in lieu of taxes (PILOT) payments totaling \$2,275,573.

The Town of Huntington Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount the District's property taxes abated was \$112,019. The District received payment in lieu of taxes (PILOT) payments totaling \$88,220.

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 \$2,107,717. The District received payment in lieu of taxes (PILOT) payments totaling \$2,093,956.

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General support	\$ 417,493
Instruction	393,796
Transportation	<u>243</u>
	811,532
Capital Projects Fund	
Capital projects	<u>3,084,778</u>
	<u>\$ 3,896,310</u>

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

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 \$126,881.

21. SUBSEQUENT EVENTS

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

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 193,436,140	\$ 193,859,885	\$ 193,877,714	\$ 17,829
Other tax items	15,290,231	14,866,486	16,454,031	1,587,545
Charges for services	1,255,000	1,255,000	1,579,293	324,293
Use of money and property	1,102,000	1,102,000	1,944,639	842,639
Sale of property and compensation for loss	75,000	117,751	129,896	12,145
Miscellaneous	400,000	1,212,885	1,642,083	429,198
Total Local Sources	211,558,371	212,414,007	215,627,656	3,213,649
State Sources	31,646,046	31,946,046	32,318,145	372,099
Medicaid reimbursement	90,000	90,000	127,771	37,771
Total Revenues	243,294,417	244,450,053	248,073,572	3,623,519
OTHER FINANCING SOURCES				
Premium on obligation		275,455	275,455	-
Total Revenues and Other Sources	243,294,417	244,725,508	248,349,027	\$ 3,623,519
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,500,000	3,750,000		
Prior Year's Encumbrances	996,941	996,941		
Appropriated Reserves	7,816,667	7,816,667		
Total Appropriated Fund Balance	11,313,608	12,563,608		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 254,608,025	\$ 257,289,116		

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, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 147,702	\$ 155,702	\$ 146,875	\$ 675	\$ 8,152
Central administration	513,765	513,765	496,616		17,149
Finance	1,686,323	1,686,708	1,625,957	27,090	33,661
Staff	1,234,797	1,415,257	1,356,859	3,491	54,907
Central services	17,792,150	17,715,823	15,460,365	386,237	1,869,221
Special items	1,980,280	1,945,282	1,898,686		46,596
Total General Support	23,355,017	23,432,537	20,985,358	417,493	2,029,686
Instruction					
Administration & improvement	8,501,338	8,526,295	8,322,441	2,104	201,750
Teaching - regular school	76,175,579	76,428,727	74,611,668	122,644	1,694,415
Programs for students with disabilities	36,198,784	35,812,349	35,139,915	50,971	621,463
Occupational education	523,740	523,740	518,150		5,590
Teaching - special schools	300,006	305,420	274,330	621	30,469
Instructional media	4,982,784	5,060,403	4,870,442	125,785	64,176
Pupil services	11,453,992	11,504,983	11,017,833	91,671	395,479
Total Instruction	138,136,223	138,161,917	134,754,779	393,796	3,013,342
Pupil Transportation	15,384,436	15,411,188	14,760,055	243	650,890
Community Services	126,400	127,525	102,469		25,056
Employee Benefits	63,983,794	63,699,756	58,048,563		5,651,193
Debt Service					
Interest	400,000	569,490	569,490		-
Total Expenditures	241,385,870	241,402,413	229,220,714	811,532	11,370,167
OTHER USES					
Operating Transfers Out	13,222,155	15,886,703	15,654,488		232,215
Total Expenditures and Other Uses	\$ 254,608,025	\$ 257,289,116	244,875,202	\$ 811,532	\$ 11,602,382
Net Change in Fund Balance			3,473,825		
Fund Balance - Beginning of Year			46,371,435		
Fund Balance - End of Year			<u>\$ 49,845,260</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.5825680%	0.5947850%	0.6019170%	0.5999480%	0.6109300%
District's proportionate share of the net pension asset/(liability)	\$ 10,534,364	\$ 4,520,958	\$ (6,446,785)	\$ 62,315,454	\$ 66,053,747
District's covered payroll	\$ 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	10.93 %	4.80 %	6.94 %	67.54 %	73.53 %

Plan fiduciary net position as a percentage of the total pension liability

	101.53%	100.66%	99.01%	110.46%	111.48%
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Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0992998%	0.1058445%	0.0990451%	0.1039717%	0.1061533%
District's proportionate share of the net pension liability	\$ (7,035,694)	\$ (3,416,072)	\$ (9,306,503)	\$ (16,687,754)	\$ (3,586,120)
District's covered payroll	\$ 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	21.61 %	11.25 %	29.01 %	57.24 %	12.03 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

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

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

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

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 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	\$ 5,419,441
Contributions in relation to the contractually required contribution	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	5,419,441
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	\$ 90,010,826
Contributions as a percentage of covered payroll	11%	10%	12%	13%	17%	16%	12%	10%	8%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 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	\$ 1,672,559
Contributions in relation to the contractually required contribution	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	1,672,559
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,987,939	\$ 31,289,160	\$ 30,717,043	\$ 29,376,695	\$ 30,698,053	\$ 28,731,806	\$ 28,483,982	\$ 28,523,253	\$ 27,633,739	\$ 27,012,938
Contributions as a percentage of covered payroll	13%	15%	14%	17%	17%	18%	17%	15%	11%	6%

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 19,004,281	\$ 18,450,758
Interest	13,016,243	12,414,015
Changes in benefit terms	-	-
Differences between expected and actual experience	-	520,191
Changes of assumptions or other inputs	(33,473,683)	-
Benefit payments	<u>(11,875,887)</u>	<u>(11,852,734)</u>
Net change in total OPEB liability	(13,329,046)	19,532,230
Total OPEB liability, beginning	<u>420,764,541</u>	<u>401,232,311</u>
Total OPEB liability, ending	<u>\$ 407,435,495</u>	<u>\$ 420,764,541</u>
Covered employee payroll	\$ 117,557,023	\$ 117,557,023
Total OPEB liability as a percentage of covered employee payroll	346.59%	357.92%

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

The discount rate increased to 3.5% to 3.0% as reflected in 2018 and 2019 above.

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, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 253,611,084
Additions:		
Prior year's encumbrances		<u>996,941</u>
Original Budget		254,608,025
Budget revisions		<u>2,681,091</u>
Final Budget		<u>\$ 257,289,116</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		<u>\$ 259,858,929</u>
Maximum allowed (4% of 2019-2020 budget)		<u>\$ 10,394,357</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,311,532	
Unassigned fund balance	<u>10,394,357</u>	
		\$ 13,705,889
Less:		
Appropriated fund balance	2,500,000	
Encumbrances	<u>811,532</u>	
Total adjustments		<u>3,311,532</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u>\$ 10,394,357</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, 2019

PROJECT TITLE	Budget		Expenditures		Unexpended		Methods of Financing			Fund Balance June 30, 2019	
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total	Balance	Obligations	Grant Aid	Local Sources		Total
2015-16 Projects											
HSE - Generators	\$ 248,400	\$ 248,400	\$ 248,400	\$ -	\$ 248,400	\$ -	\$ -	\$ -	\$ 248,400	\$ 248,400	\$ -
HSE - HVAC	389,910	389,910	389,038	852	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	342,562	335,354	250,152	85,202	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	167,139	173,539	167,139	3,835	170,974	2,565	-	-	173,539	173,539	2,565
Candlewood - Doors	65,310	74,352	2,760	67,976	70,736	3,616	-	-	74,352	74,352	3,616
HSE - Tennis Courts/Air Vents	898,203	863,465	831,277	32,188	863,465	-	-	-	863,465	863,465	-
HSW - Gym Doors	92,955	91,152	3,954	75,372	79,326	11,826	-	-	91,152	91,152	11,826
Nazatorium - Renovations	409,413	409,413	409,413	-	409,413	-	-	100,000	309,413	409,413	-
HSE - HVAC	234,185	234,404	234,185	219	234,404	-	-	-	234,404	234,404	-
2017-18 Projects											
Signal Hill - Roof Replacement	160,000	160,000	6408	148,429	154,837	5,163	-	-	160,000	160,000	5,163
Paumonok - Roof Replacement	983,533	983,533	-	954,847	954,847	28,686	-	-	983,533	983,533	28,686
Candlewood - Roof Replacement	1,005,300	1,005,300	40,282	722,536	762,818	242,482	-	-	1,005,300	1,005,300	242,482
HSE - Orchestra	433,000	433,000	15,380	19,673	35,053	397,947	-	-	433,000	433,000	397,947
HSE - Gymnasium Air Vents	187,000	187,000	-	75,073	75,073	111,927	-	-	187,000	187,000	111,927
HSE - Chiller	180,000	180,000	88,084	25,306	88,084	91,916	-	-	180,000	180,000	91,916
Nazatorium Renovations - Phase II	694,000	704,000	-	-	25,306	678,694	-	-	704,000	704,000	678,694
Ostego - Fuel Tank	165,000	165,000	-	-	-	165,000	-	-	165,000	165,000	-
FGAC - Roof Replacement	557,000	557,000	-	160,986	160,986	396,014	-	-	557,000	557,000	396,014
Sunquam - Drainage	79,167	107,235	71,723	-	71,723	35,512	-	-	107,235	107,235	35,512
2018-19 Projects											
HSE - Window Replacement	2,000,000	2,000,000	84,906	84,906	84,906	1,915,094	-	-	2,000,000	2,000,000	1,915,094
Vanderbilt - Parking Lot Expansion	400,000	400,000	20,810	20,810	20,810	379,190	-	-	400,000	400,000	379,190
HSW - Boiler Replacement	2,000,000	2,000,000	84,906	84,906	84,906	1,915,094	-	-	2,000,000	2,000,000	1,915,094
Transportation - Drainage & Pavement	400,000	400,000	13,022	13,022	13,022	386,978	-	-	400,000	400,000	386,978
Administration - Interior Lockset	1,500,000	1,500,000	63,679	63,679	63,679	1,436,321	-	250,000	1,250,000	1,500,000	1,436,321
Library Bond	14,500,000	14,500,000	1,260,134	1,260,134	1,260,134	13,239,866	-	-	14,500,000	14,500,000	13,239,866
Totals	\$ 8,674,000	\$ 29,464,000	\$ 4,140,150	\$ 3,899,951	\$ 8,040,109	\$ 21,443,891	\$ 14,500,000	\$ 350,000	\$ 14,634,000	\$ 29,464,000	\$ 21,443,891
											(250,000)
											\$ 21,193,891

Grant Aid Revenue Not Realized

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net		<u>\$ 101,039,606</u>
Deduct:		
Short-term portion of bonds payable	\$ (6,085,000)	
Long-term portion of bonds payable	(32,015,000)	
Less: Unspent bond proceeds	<u>13,239,866</u>	
		(24,860,134)
Short-term portion of installment purchase debt	(595,845)	
Long-term portion of installment purchase debt	<u>(4,319,076)</u>	
		<u>(4,914,921)</u>
Net investment in capital assets		<u><u>\$ 71,264,551</u></u>

VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

**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, 2019, 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 22, 2019.

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 22, 2019.

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 22, 2019

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

October 8, 2020

The Board of Education of
Half Hollow Hills Central School District of Huntington and Babylon,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Half Hollow Hills Central School District of Huntington and Babylon (the “School District”), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$50,000,000 Tax Anticipation Notes for 2020-2021 Taxes (the “Note”), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of

the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Half Hollow Hills Central School District of Huntington and Babylon, in the County of Suffolk, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of October 8, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$50,000,000 Tax Anticipation Notes for 2020-2021 Taxes, dated October 8, 2020, maturing on June 25, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **October 8, 2020**.

**HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON**

By _____
President of the Board of Education