

JERICO UNION FREE SCHOOL DISTRICT

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

June 30, 2010

JERICHO UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Jericho Union Free School District
Jericho, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Jericho Union Free School District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2010, on our consideration of the Jericho Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 16 and 48 through 50, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Union Free School District's basic financial statements. The other supplementary information on pages 51 through 54 is not a required part of the basic financial statements but is supplementary information required 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 express no opinion on it.

Cullen & Danowski, LLP

September 13, 2010

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following is a discussion and analysis of the Jericho Union Free School District's financial performance for the fiscal year ended June 30, 2010. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- On the district-wide financial statements, revenues increased by 2% as a result of increased property taxes and education stabilization funds provided under the Federal American Recovery and Reinvestment Act of 2009 (ARRA) offset by a decrease in state aid and interest earnings.
- On the district-wide financial statements, expenditures increased by 1% as a result of increased instruction expenses.
- The District continued to offer all programs, without reducing services.
- On May 18, 2010, the proposed 2010-2011 budget in the amount of \$108,918,239 was authorized by the District's residents.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

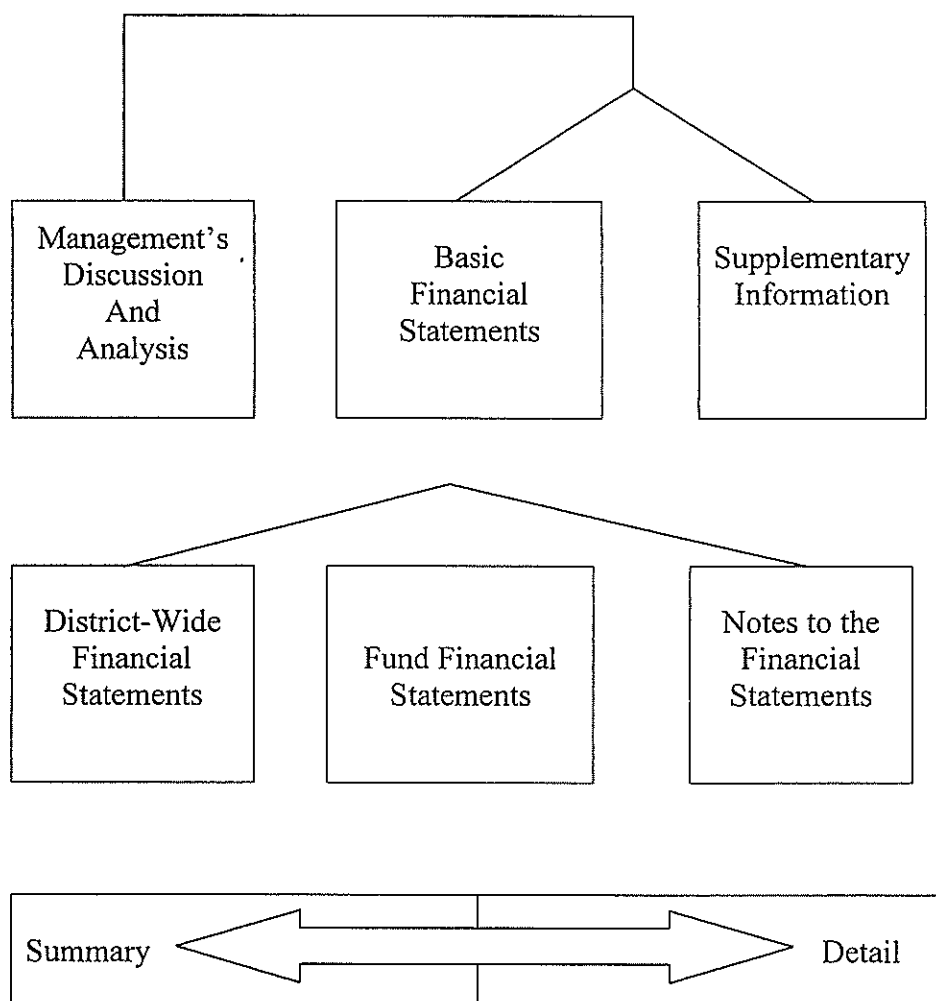
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

**JERICOHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report



**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

A. District-Wide Statements

The District-Wide Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Statements report the District's *net assets* and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net assets is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation such as:
 - Debt Service
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide statements, additional information is provided on reconciliation pages explaining the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide financial statements because it cannot use these assets to finance its operations. Fiduciary funds reporting focuses on net assets and changes in net assets. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The District's total net assets decreased by \$484,044 in the fiscal year ended June 30, 2010 as detailed in Table A-3.

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-3 – Condensed Statement of Net Assets-Governmental Activities

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	Percentage Change
Current assets and other assets	\$46,691,222	\$41,871,323	\$4,819,899	12%
Capital assets, net	32,600,609	31,608,788	991,821	3%
Total Assets	<u>\$79,291,831</u>	<u>\$73,480,111</u>	<u>\$5,811,720</u>	<u>8%</u>
Current liabilities	\$15,982,838	\$15,729,968	\$252,870	2%
Long-term liabilities	42,555,063	36,512,169	6,042,894	17%
Total Liabilities	<u>\$58,537,901</u>	<u>\$52,242,137</u>	<u>\$6,295,764</u>	<u>12%</u>
Net Assets				
Investment in capital assets, net of related debt	\$18,237,578	\$16,469,025	\$1,768,553	11%
Restricted	1,045,897	1,044,075	1,822	0%
Unrestricted	1,470,455	3,724,874	(2,254,419)	-61%
Total Net Assets	<u>\$20,753,930</u>	<u>\$21,237,974</u>	<u>(\$484,044)</u>	<u>-2%</u>
Total Liabilities & Net Assets	<u>\$79,291,831</u>	<u>\$73,480,111</u>	<u>\$5,811,720</u>	<u>8%</u>

Current assets and other assets increased \$4,819,899 from 2009 to 2010 primarily due to an increase in cash, taxes receivable and increased state and federal aid receivable. Capital assets (net of depreciation) increased by 991,821. This was attributable to capital asset additions and retirements offset by current year depreciation. Current liabilities increased by \$252,870. This was attributable to increase in accounts payable and due to other governments offset by a decrease in due to teachers' retirement system. Long-term liabilities increased by \$6,042,894 primarily due to an increase in net obligation of other postemployment benefits and an increase in compensated absences payable offset by payments on bonds and installment debt. Net assets overall decreased by \$484,044.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery and equipment, net of depreciation and related debt. This number increased from the prior year by \$1,768,553 due to additional capital expenses for building improvements and equipment, and principal payments on debt, offset by depreciation.

B. Changes in Net Assets

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2010 and 2009 is as follows:

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-4: Change in Net Assets from Operating Results
Governmental Activities Only

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$2,265,760	\$2,079,552	\$186,208	9%
Operating Grants	2,475,551	1,663,408	812,143	49%
General Revenues				
Property Taxes (including Other tax items)	95,113,874	92,226,395	\$2,887,479	3%
State Formula Aid	4,315,772	6,241,044	(\$1,925,272)	-31%
Use of Money and Property	802,285	1,043,100	(\$240,815)	-23%
Other	654,723	506,703	\$148,020	29%
Total Revenues	<u>\$105,627,965</u>	<u>\$103,760,202</u>	<u>\$1,867,763</u>	<u>2%</u>
Expenses				
General Support	\$11,717,321	\$11,838,392	(\$121,071)	-1%
Instruction	87,039,452	85,093,256	1,946,196	2%
Pupil Transportation	5,371,401	5,608,101	(236,700)	-4%
Community Service	59,888	76,356	(16,468)	-22%
Debt Service - interest	643,438	857,434	(213,996)	-25%
Food Service Program	1,280,509	1,148,161	132,348	12%
Total Expenses	<u>\$106,112,009</u>	<u>\$104,621,700</u>	<u>\$1,490,309</u>	<u>1%</u>
Decrease in Net Assets	<u>(\$484,044)</u>	<u>(\$861,498)</u>	<u>\$377,454</u>	

The District's fiscal year 2010 revenues totaled \$105,627,965. (See Table A-4). Property taxes (including other tax items) and state formula aid accounted for most of the District's revenue by contributing 90 cents and 4 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources. The decrease in use of money and property is the result of lower interest rates on the District's deposits.

The cost of all programs and services totaled \$106,112,009 for fiscal year 2010. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 86% of District expenses. (See Table A-6). The District's general support activities accounted for 11% of total costs.

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-5: Revenues for Fiscal Year 2010 (See Table A-4)

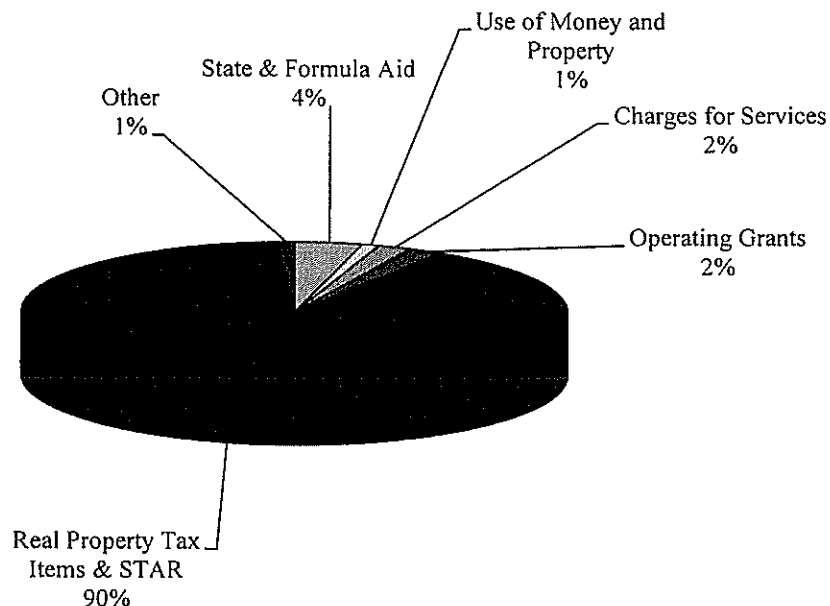
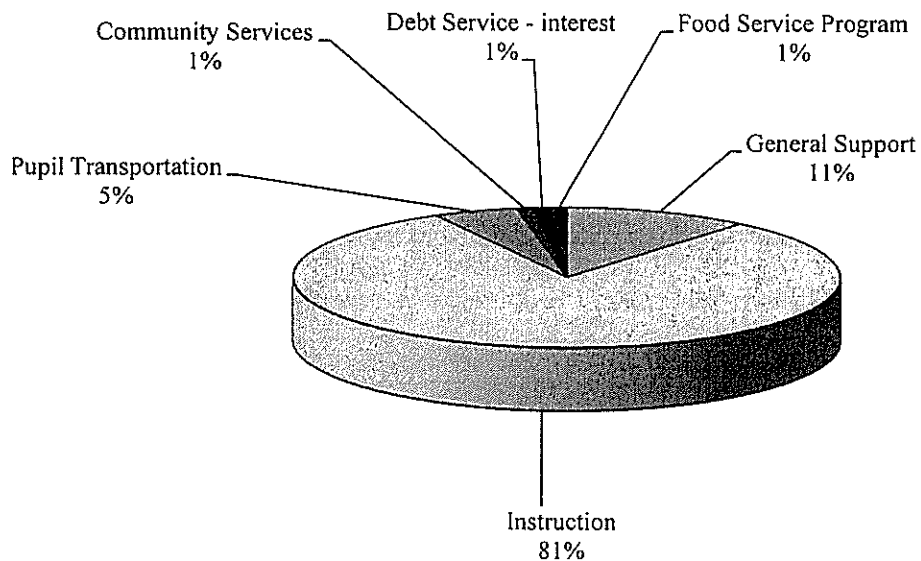


Table A-6: Expenses for Fiscal Year 2010 (See Tables A-4 and A-7)

C. Governmental Activities



**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Revenues for the District's governmental activities totaled \$105,627,965 while total expenses equaled \$106,112,009. Although the net assets decreased due to the increase in the net obligation of other post employment benefits, the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's board and administration;
- Rising property assessed valuations;
- Continued state and federal aid;
- Strategic use of services from the Nassau BOCES;
- Improved curriculum and community support.

Table A-7 presents the cost of major District activities: instruction, general support, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2009
General Support	\$11,717,321	\$11,838,392	\$11,717,321	\$11,838,392
Instruction	87,039,452	85,093,256	83,481,669	82,462,565
Pupil Transportation	5,371,401	5,608,101	5,371,401	5,608,101
Community Service	59,888	76,356	59,888	76,356
Debt Service- Interest	643,438	857,434	643,438	857,434
Food Service Program	1,280,509	1,148,161	96,981	35,892
Total	<u>\$106,112,009</u>	<u>\$104,621,700</u>	<u>\$101,370,698</u>	<u>\$100,878,740</u>

- The cost of all governmental activities this year was \$106,112,009. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs \$2,265,760 financed some of the cost. (Statement of Activities and Changes in Net Assets, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$2,475,551. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- Most of the District's net costs \$101,370,698 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2010, the District's combined governmental funds reported a total fund balance of \$30,558,710 which is an increase of \$4,476,498 over the prior year.

A summary of the change in fund balance for the governmental funds is as follows:

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	Total Percentage Change
General Fund				
Reserve for Encumbrances	\$520,570	\$557,683	(\$37,113)	-7%
Reserve for Retirement Contributions	5,229,595	3,217,712	2,011,883	63%
Reserve for Unemployment Insurance	250,000	0	250,000	0%
Reserve for Tax Reduction	144,266	143,332	934	1%
Reserve for Employee Benefit				
Accrued Liabilities	13,540,042	11,469,788	2,070,254	18%
Unreserved-Designated for				
subsequent year's expenditures	3,500,000	3,490,381	9,619	0%
Unreserved - Undesignated	4,327,920	4,178,217	149,703	4%
Total Fund Balance - General Fund	<u>\$27,512,393</u>	<u>\$23,057,113</u>	<u>\$4,455,280</u>	<u>19%</u>
Special Aid Fund				
Reserve for Encumbrances	\$0	\$0	\$0	0%
Unreserved - Undesignated	0	0	0	0%
Total Fund Balance - Special Aid Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>
School Lunch Fund				
Reserve for Inventory	\$69,955	\$83,863	(\$13,908)	-17%
Unreserved - Undesignated	383,881	315,314	68,567	22%
Total Fund Balance - School Lunch Fund	<u>\$453,836</u>	<u>\$399,177</u>	<u>\$54,659</u>	<u>14%</u>
Debt Service Fund				
Reserve for Debt Service	\$1,045,897	\$1,044,075	\$1,822	0%
Total Fund Balance - Debt Service Fund	<u>\$1,045,897</u>	<u>\$1,044,075</u>	<u>\$1,822</u>	<u>0%</u>
Capital Projects Fund				
Reserve for Encumbrances	\$32,230	\$1,323,031	(\$1,290,801)	-98%
Unreserved - Undesignated	1,514,354	258,816	1,255,538	485%
Total Fund Balance - Capital Projects Fund	<u>\$1,546,584</u>	<u>\$1,581,847</u>	<u>(\$35,263)</u>	<u>-2%</u>

The District can attribute changes to fund balances and reserves primarily due to operating results, Board approved transfers, and allocation of interest earnings

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2009-2010 Budget

The District's General Fund adopted budget for the year ended June 30, 2010 was \$105,232,204. This amount was increased by encumbrances carried forward from the prior year in the amount of \$557,683 which resulted in a final budget of \$105,789,887. The majority of the funding was property taxes and STAR revenue of \$94,728,823.

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

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

Opening, Unreserved - Undesignated Fund Balance	\$4,178,217
Revenues Over Budget	993,004
Expenditures and Encumbrances Under Budget	6,989,770
Increase to Retirement Contribution Reserve	(2,011,883)
Increase to Unemployment Insurance	(250,000)
Increase to Tax Reduction Reserve	(934)
Increase to Employee Benefit Accrued Liability Reserve	(2,070,254)
Appropriated for June 30, 2011 Budget	(3,500,000)
Closing, Unreserved - Undesignated Fund Balance	<u><u>\$4,327,920</u></u>

The unreserved – undesignated fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent years' taxes. This amount is limited to 4% of the subsequent year's budget.

The revenues over budget of \$993,004 were primarily in real property taxes and state aid, offset by the decrease in use of money and property (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$6,989,770 were primarily in pupil transportation, instructional and employee benefits (see Supplemental Schedule #1 for detail).

Increases and decreases to reserves were primarily due to Board approved transfers and allocation of interest earnings (For further detail refer to Section 4 in the Management Discussion and Analysis).

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2010. A summary of the District's capital assets net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2010	Fiscal Year 2009	Increase Decrease	Percentage Change
Land	\$357,356	\$357,356	\$0	0%
Construction in Progress	606,473	396,044	210,429	53%
Buildings & Building Improvements	46,924,460	45,543,939	1,380,521	3%
Machinery and Equipment	3,025,366	2,788,452	236,914	8%
Subtotal	50,913,655	49,085,791	1,827,864	4%
Less: Accumulated Depreciation	18,313,046	17,477,003	836,043	5%
Total Net Capital Assets	<u>\$32,600,609</u>	<u>\$31,608,788</u>	<u>\$991,821</u>	3%

B. Long-Term Debt

At June 30, 2010, The District had total bonds payable of \$13,436,905. The bonds were issued for district-wide projects. The District had installment purchase debt for an equipment capital lease. The decrease in outstanding debt represents payments against principal. A summary of outstanding debt at June 30, 2010 and 2009 is as follows:

	2010	2009	Increase (Decrease)
Advance Refunding Bond	\$13,436,905	\$14,176,564	(\$739,659)
Construction Bonds	0	625,000	(625,000)
Total Bonds	13,436,905	14,801,564	(1,364,659)
Installment Purchase Debt	926,126	338,199	587,927
Total	<u>\$14,363,031</u>	<u>\$15,139,763</u>	<u>(\$776,732)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A. The District issued \$10,000,000 in tax anticipation notes on June 29, 2010 maturing on June 17, 2011 for the following:

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Amount</u>	<u>Rate</u>	<u>Premium</u>
\$10,000,000	1.50%	\$100,283

- B. The general fund budget for the 2010-2011 school year was approved by the voters in the amount of \$108,918,239. This is an increase of 3.50% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C. The 2010-2011 budget is impacted by certain trends impacting school districts. These include increases in retirement contributions and health insurance costs.
- D. The District is currently experiencing declining enrollment at the elementary level due primarily to the declining housing market. However, these lower enrollments will not impact the middle school or high school for several years.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Jericho Union Free School District
Dr. Joan L. Colvin
Assistant Superintendent for Business Affairs
99 Cedar Swamp Road
Jericho, New York 11753-1202
(516) 203-3600 ext:3214

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ASSETS

Cash	
Unrestricted	\$39,369,260
Restricted	1,045,897
Receivables	
Taxes receivable	2,218,217
State and Federal aid	3,246,542
Due from other governments	625,921
Other	8,051
Inventories	69,955
Prepaid expenditures	107,379
Capital assets, net	<u>32,600,609</u>
TOTAL ASSETS	<u>\$79,291,831</u>

LIABILITIES

Payables	
Accounts payable	\$1,467,416
Accrued liabilities	279,330
Retainage payable	47,688
Bond interest payable	240,401
Due to other governments	308,655
Due to teachers' retirement system	3,101,321
Due to employees' retirement system	437,744
Deferred revenue	100,283
Note payable	
Tax anticipation note	10,000,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,379,659
Installment purchase debt	184,174
Compensated absences payable	500,000
Due and payable after one year	
Bonds payable	12,057,246
Installment purchase debt	741,952
Compensated absences payable	16,226,825
Net obligation of other postemployment benefits	<u>11,465,207</u>
TOTAL LIABILITIES	<u>58,537,901</u>

NET ASSETS

Investment in capital assets, net of related debt	18,237,578
Restricted For:	
Debt service	1,045,897
Unrestricted	<u>1,470,455</u>
TOTAL NET ASSETS	<u>20,753,930</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$79,291,831</u>

**JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	\$11,717,321			(\$11,717,321)
Instruction	87,039,452	\$1,209,361	2,348,422	(83,481,669)
Pupil transportation	5,371,401			(5,371,401)
Community services	59,888			(59,888)
Debt service- interest	643,438			(643,438)
Food Service program	1,280,509	1,056,399	127,129	(96,981)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$106,112,009</u>	<u>\$2,265,760</u>	<u>\$2,475,551</u>	<u>(\$101,370,698)</u>
GENERAL REVENUES				
Real property taxes				\$91,606,836
Other tax items - including STAR reimbursement				3,507,038
Use of money & property				802,285
Forfeitures				6,040
Sale of property & compensation for loss				53,436
Miscellaneous				538,191
State sources				4,315,772
Medicaid reimbursement				57,056
TOTAL GENERAL REVENUES				<u>\$100,886,654</u>
CHANGE IN NET ASSETS				<u>(484,044)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR				<u>21,237,974</u>
TOTAL NET ASSETS - END OF YEAR				<u>\$20,753,930</u>

**JERICO UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$36,961,229	\$92,142	\$436,659		\$1,879,230	\$39,369,260
Restricted				\$1,045,897		1,045,897
Receivables						
Taxes receivable	2,218,217					2,218,217
State and Federal aid	1,316,874	1,919,939	9,729			3,246,542
Due from other governments	625,921					625,921
Due from other funds	2,007,913					2,007,913
Accounts receivable	2,411		5,640			8,051
Inventories			69,955			69,955
TOTAL ASSETS	<u>\$43,132,565</u>	<u>\$2,012,081</u>	<u>\$521,983</u>	<u>\$1,045,897</u>	<u>\$1,879,230</u>	<u>\$48,591,756</u>
LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$1,132,009	\$5,021	\$46,281		\$284,105	\$1,467,416
Accrued liabilities	276,298		3,032			279,330
Retainage payable					47,688	47,688
Due to other governments	308,579		76			308,655
Due to other funds		2,007,060			853	2,007,913
Due to teachers' retirement system	3,101,321					3,101,321
Due to employees' retirement system	418,986		18,758			437,744
Notes payable						
Tax anticipation note	10,000,000					10,000,000
Deferred credits						
Deferred revenue	382,979					382,979
TOTAL LIABILITIES	<u>15,620,172</u>	<u>2,012,081</u>	<u>68,147</u>	<u>0</u>	<u>332,646</u>	<u>18,033,046</u>
FUND BALANCE						
Reserve for Encumbrances	520,570				32,230	552,800
Reserve for Retirement Contribution	5,229,595					5,229,595
Reserve for Unemployment Insurance	250,000					250,000
Reserve for Tax Reduction	144,266					144,266
Reserve for Employee Benefit						
Accrued Liability	13,540,042					13,540,042
Reserve for Inventory			69,955			69,955
Reserve for Debt Service				1,045,897		1,045,897
Unreserved-Designated for Subsequent						
Year's Expenditures	3,500,000					3,500,000
Unreserved-Undesignated	4,327,920		383,881		1,514,354	6,226,155
TOTAL FUND BALANCE	<u>27,512,393</u>	<u>0</u>	<u>453,836</u>	<u>1,045,897</u>	<u>1,546,584</u>	<u>30,558,710</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$43,132,565</u>	<u>\$2,012,081</u>	<u>\$521,983</u>	<u>\$1,045,897</u>	<u>\$1,879,230</u>	<u>\$48,591,756</u>

**JERICHO UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Total Governmental Fund Balances	\$30,558,710
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Assets include 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	\$50,913,655	
Accumulated depreciation	<u>(18,313,046)</u>	32,600,609

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

Deferred charges	107,379
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Deferred Revenue - The Statement of Net Assets recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.	282,696
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(13,436,905)	
Accrued interest on bonds payable	(240,401)	
Installment purchase debt	(926,126)	
Net obligation of other postemployment benefits	(11,465,207)	
Compensated absences payable	<u>(16,726,825)</u>	<u>(42,795,464)</u>

Total Net Assets	<u>\$20,753,930</u>
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JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$91,606,836					\$91,606,836
Other tax items - including STAR reimbursement	3,507,038					3,507,038
Charges for services	1,206,361					1,206,361
Use of money and property	797,892		\$2,571	\$1,822		802,285
Forfeitures	6,040					6,040
Sale of property and compensation for loss	53,436					53,436
Miscellaneous	465,495					465,495
Interfund Revenue	17,084					17,084
State sources	4,315,772	\$480,002	15,248			4,811,022
Federal sources	701,817	1,166,603	80,597			1,949,017
Medicaid Reimbursement	57,056					57,056
Surplus food			31,284			31,284
Sales			1,056,399			1,056,399
TOTAL REVENUES	102,734,827	1,646,605	1,186,099	1,822	0	105,569,353
EXPENDITURES						
General support	9,511,414					9,511,414
Instruction	63,165,831	1,766,527			973,742	65,906,100
Pupil transportation	5,175,089					5,175,089
Community service	43,528					43,528
Employee benefits	16,550,831		247,917			16,798,748
Debt service - Principal				1,365,000		1,365,000
Debt service - Interest	48,982			608,950		657,932
Cost of sales			1,023,523			1,023,523
Capital outlay					1,585,263	1,585,263
TOTAL EXPENDITURES	94,495,675	1,766,527	1,271,440	1,973,950	2,559,005	102,066,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,239,152	(119,922)	(85,341)	(1,972,128)	(2,559,005)	3,502,756
OTHER FINANCING SOURCES AND USES						
Proceeds from long term debt					973,742	973,742
Operating transfers in		119,922	140,000	1,973,950	1,550,000	3,783,872
Operating transfers (out)	(3,783,872)					(3,783,872)
TOTAL OTHER FINANCING SOURCES (USES)	(3,783,872)	119,922	140,000	1,973,950	2,523,742	973,742
CHANGE IN FUND BALANCE	4,455,280	0	54,659	1,822	(35,263)	4,476,498
FUND BALANCES - BEGINNING OF YEAR	23,057,113	0	399,177	1,044,075	1,581,847	26,082,212
FUND BALANCE - END OF YEAR	\$27,512,393	\$0	\$453,836	\$1,045,897	\$1,546,584	\$30,558,710

**JERICO UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balance		\$4,476,498
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(1,098,214)	
Deferred Revenue - The Statement of Net Assets recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. Such deferred revenue increased by	75,696	
In the Statement of Activities, the net obligation of other postemployment benefits is recorded as it accrues. The net obligation of other postemployment benefits from June 30, 2009 to June, 30, 2010 increased by	(5,721,412)	
Long-Term Debt Transactions		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	1,365,000	
Proceeds from installment purchase debt is revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	(973,742)	
Repayment of installment purchase debt principal is an expenditure in the governmental fund, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	166,468	
Governmental funds report the issuance costs, premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization is	(12,162)	
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financials resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2009 to June 30, 2010 decreased by	26,656	
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities		
Capital outlays	2,651,367	
Loss on disposal	(60,519)	
Depreciation expense	<u>(1,379,679)</u>	<u>1,211,169</u>
Changes in Net Assets of Governmental Activities		<u><u>(\$484,044)</u></u>

**JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$103,831	\$630,199
Accounts receivable		19,579
TOTAL ASSETS	<u>\$103,831</u>	<u>\$649,778</u>
LIABILITIES		
Extraclassroom activity balance		211,342
Other liabilities		438,436
TOTAL LIABILITIES	<u>\$0</u>	<u>\$649,778</u>
NET ASSETS		
Reserved for scholarships	\$103,831	
TOTAL NET ASSETS	<u>\$103,831</u>	

**JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$31,350
Interest and earnings	520
TOTAL ADDITIONS	<u>31,870</u>
DEDUCTIONS	
Scholarships and awards	<u>35,250</u>
TOTAL DEDUCTIONS	<u>35,250</u>
CHANGE IN NET ASSETS	(3,380)
NET ASSETS - BEGINNING OF YEAR	<u>107,211</u>
NET ASSETS - END OF YEAR	<u><u>\$103,831</u></u>

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Jericho Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

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 five 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 reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity as Amended by GASB Statement 39, Determining Whether Certain Organizations are Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. 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 is a brief description of certain entities included in the District’s reporting entity.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

i) 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint venture:

The District is a component district in the Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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 the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$2,337,993 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$422,961.

Financial statements for the BOCES are available from the BOCES administrative office located at 71 Clinton Road, Garden City, NY, 11530.

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

ii) Fund financial statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts 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 either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

Debt Service Fund: This 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: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

D) Measurement focus and basis of accounting:

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 property taxes, grants and donations. On an accrual basis, revenue from 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.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 six months 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.

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on July 1. Taxes are collected by the Town of Oyster Bay during the period 2009-2010.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

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

G) Interfund transactions:

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

In the district-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be 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.

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. 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 the State and its municipalities and Districts.

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and Prepaid Items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture at the Government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

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

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 2002. For assets acquired prior to 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

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	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	\$15,000	Straight-line	50 years
Furniture & Equipment	\$5,000	Straight-line	5-20 years
Land Improvements	\$15,000	Straight-line	20 years
Vehicles	\$5,000	Straight-line	8 years

M) Deferred revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Deferred revenues recorded in governmental funds are not recorded in the district-wide statements, and comprise part of the reconciliation in Note 2.

N) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

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

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources.

O) Other benefits:

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

**JERICO UNION FREE SCHOOL DISTRICT
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In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

P) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's 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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Q) Accrued liabilities and long-term obligations:

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

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

**JERICHO UNION FREE SCHOOL DISTRICT
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R) Equity Classifications:

District-wide statements:

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

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

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

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Funds statements:

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

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

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. The reserve is accounted for in the General Fund and Capital Projects Fund.

**JERICO UNION FREE SCHOOL DISTRICT
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Retirement Contribution Reserve

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

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. This reserve is accounted for in the General Fund.

Reserve for Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

Reserve for Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to 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.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. The reserve is accounted for in the School Lunch Fund.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or

**JERICOHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Reserve for Scholarships:

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

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND
STATEMENTS AND DISTRICT-WIDE STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(A) Total fund balances of governmental funds vs. net assets of governmental activities:

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

(B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

(i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(ii) Capital related differences:

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

**JERICO UNION FREE SCHOOL DISTRICT
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statements and depreciation expense on those items as recorded in the Statement of Activities.

(iii) Long-term debt transaction differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations that occurred during the year.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Encumbrances:

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

NOTE 4 - CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS:

Cash:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

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

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

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,045,897 within the governmental fund for debt service.

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NOTE 5 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2010 consist of the following:

General Fund	
Health Services receivable	\$179,109
Split property line receivable	24,050
Tuition receivable	422,762
Total Due From Other Governments	<u>\$625,921</u>

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and Federal Aid receivable at June 30, 2010 consist of the following:

General Fund	
BOCES Aid receivable	\$340,685
Excess Cost Aid	534,435
Stabilization - ARRA	208,274
NYS - MTA Tax reimbursement	198,833
US Treasury - COBRA	4,647
Medicare Part D	30,000
Total General Fund	<u>\$1,316,874</u>
Special Aid Fund	
Federal grants	\$837,549
State grants	1,082,390
Total Special Aid Fund	<u>\$1,919,939</u>
School Lunch Fund	
Lunch - Federal	\$5,150
Lunch - State	4,579
Total School Lunch Fund	<u>\$9,729</u>
Total State and Federal Aid Receivable	<u>\$3,246,542</u>

**JERICO UNION FREE SCHOOL DISTRICT
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NOTE 7 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2010

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 357,356	\$ -	\$ -	\$357,356
Construction in Progress	396,044	\$382,005	(\$171,576)	606,473
Total nondepreciable historical cost	<u>753,400</u>	<u>382,005</u>	<u>(171,576)</u>	<u>963,829</u>
Capital assets that are depreciated:				
Building & Building Improvements	45,543,939	1,208,945	171,576	46,924,460
Machinery & Equipment	2,788,452	1,060,417	(823,503)	3,025,366
Total depreciable historical cost	<u>48,332,391</u>	<u>2,269,362</u>	<u>(651,927)</u>	<u>49,949,826</u>
Less accumulated depreciation:				
Building & Building Improvements	15,588,841	1,097,045		16,685,886
Machinery & Equipment	1,888,162	282,634	(543,636)	1,627,160
Total accumulated depreciation	<u>17,477,003</u>	<u>1,379,679</u>	<u>(543,636)</u>	<u>18,313,046</u>
Total depreciable historical cost, net	<u>\$ 31,608,788</u>	<u>\$ 1,271,688</u>	<u>\$ (279,867)</u>	<u>\$ 32,600,609</u>
Depreciation expense was charged to governmental functions as follows:				
General Support	\$203,597			
Instruction	1,167,014			
School lunch	9,068			
	<u>\$1,379,679</u>			

NOTE 8 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	06/17/11	1.50%	\$0	\$10,000,000	\$0	\$10,000,000
TAN	06/18/10	1.50%	10,000,000		10,000,000	0
Total			<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>

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Interest expense on short-term debt for the year was \$48,982.

NOTE 9 – LONG-TERM DEBT OBLIGATIONS:

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Government activities:					
Bonds payable:	\$14,805,000		\$1,365,000	\$13,440,000	\$1,380,000
Less - deferred amounts on refunding	(3,436)		(341)	(3,095)	(341)
Installment purchase debt	338,199	\$973,742	385,815	926,126	184,174
Total bonds & notes payable	<u>15,139,763</u>	<u>973,742</u>	<u>1,750,474</u>	<u>14,363,031</u>	<u>1,563,833</u>
Other liabilities:					
Net obligation of other postemployment benefits	5,743,795	6,575,100	853,688	11,465,207	0
Compensated absences	15,628,611	1,098,214		16,726,825	500,000
Total other liabilities	<u>21,372,406</u>	<u>7,673,314</u>	<u>853,688</u>	<u>28,192,032</u>	<u>500,000</u>
Total long-term liabilities	<u>\$36,512,169</u>	<u>\$8,647,056</u>	<u>\$2,604,162</u>	<u>\$42,555,063</u>	<u>\$2,063,833</u>

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

In prior years, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding principal balance of the defeased bonds was paid off in full by the trustee in August 2009.

Existing serial and statutory bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2010
Advance Refunding Serial Bond	3/27/2007	2020	3.5 - 5%	<u>\$13,440,000</u>

**JERICO UNION FREE SCHOOL DISTRICT
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The following is a summary of debt service requirements for bonds payable:

June 30,	Principal	Interest	Total
2011	\$1,380,000	\$549,363	\$1,929,363
2012	1,390,000	493,962	1,883,962
2013	1,425,000	441,225	1,866,225
2014	1,400,000	390,037	1,790,037
2015	1,435,000	327,912	1,762,912
2016 - 2020	6,410,000	697,664	7,107,664
	<u>\$13,440,000</u>	<u>\$2,900,163</u>	<u>\$16,340,163</u>

The following is a summary of amortization of the deferred amounts on refunding:

Fiscal Year Ended June 30,	Total
2011	\$341
2012	341
2013	341
2014	341
2015	341
2016 - 2020	1,390
	<u>\$3,095</u>

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

	Total
Interest paid	\$608,950
Less interest accrued in the prior year	(267,057)
Plus interest accrued in the current year	240,401
Amortization of deferred charges	12,162
Total expense	<u>\$594,456</u>

**JERICO UNION FREE SCHOOL DISTRICT
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The following is a summary of the maturing debt service requirements of installment purchase debt (copier equipment leases). Principal and interest has been calculated with an imputed interest rate of 3%:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$184,174	\$25,265	\$209,439
2012	189,776	19,663	209,439
2013	195,548	13,891	209,439
2014	201,496	7,943	209,439
2015	155,132	1,946	157,078
	\$926,126	\$68,708	\$994,834

NOTE 10 – PENSION PLANS:

General information:

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems.

The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and administration:

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

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

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Funding policies

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, until they have been a member for ten years. Employees who joined the system on or after January 1, 2010 contribute 3.5% of their salary to NYSTRS or 3.0% of their salary to NYSERS throughout their active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2009 - 2010	\$1,051,756	\$2,884,955
2008 - 2009	\$755,242	\$3,301,553
2007 - 2008	\$1,113,143	\$3,717,069

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$2,007,913			\$3,783,872
Special Aid Fund		\$2,007,060	\$119,922	
School Lunch Fund			140,000	
Debt Service Fund			1,973,950	
Capital Projects Fund		853	1,550,000	
Total government activities	2,007,913	2,007,913	3,783,872	3,783,872
Fiduciary Agency Fund	0	0	0	0
Totals	<u>\$2,007,913</u>	<u>\$2,007,913</u>	<u>\$3,783,872</u>	<u>\$3,783,872</u>

The District typically transfers from the general fund to the capital projects fund, to finance capital construction projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of Summer School for students with disabilities expenses required by State Law. The transfer to the Debt Service Fund represents budgeted principal and interest payments. The District also transfers an amount to the school lunch fund to help offset school lunch costs.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

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All interfund payables are expected to be repaid within one year.

NOTE 12 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2010, the District recognized \$853,688 for its share of insurance premiums for currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other post-employment benefits by any means other than the “pay as you go” method.

The District has obtained an actuarial valuation report as of July 1, 2008 which indicates that the total liability for other post-employment benefits is \$58,497,474. The net OPEB obligation at June 30, 2010 is \$11,465,207, which is reflected in the Statement of Net Assets.

Plan Description

The District provides primarily post employment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. The Healthcare Plan is a single-employer defined benefit healthcare plan. Benefits are provided through the New York State Health Insurance Program Empire Plan.

Funding Policy

The contribution requirements of plan members and the Jericho Union Free School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the Jericho Union Free School District contributed \$853,688 to the plan. Plan members receiving benefits contributed 42% - 60% of the health insurance premium.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

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	For the Year Ended June 30, 2010
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution	\$6,664,803
Interest on net OPEB obligation	229,752
Adjustment to Annual Required Contribution	(319,455)
Annual OPEB cost (expense)	6,575,100
Contributions made	(853,688)
Increase in net OPEB obligation	5,721,412
Net OPEB obligation-beginning of year	5,743,795
Net OPEB obligation-end of year	<u>\$11,465,207</u>

The District's annual OPEB cost, the OPEB contributions, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010, the transition year, was as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 6,664,803	\$ 921,008	14%	\$ 5,743,795
6/30/10	\$ 6,575,100	\$ 853,688	13%	\$ 11,465,207

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$58,497,474, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$58,497,474. The covered payroll (annual payroll of active employees covered by the plan) was \$49,624,812, and the ratio of the UAAL to the covered payroll was 118%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

Actuarial Methods and Assumptions

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

In the July 1, 2008 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 12 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

NOTE 13 – RISK MANAGEMENT:

General:

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The District participates in the Nassau County Schools Cooperative Workers' Compensation Self Insured Plan (the Workers' Compensation Plan) to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to administer claims and finance liability and risks related to workers' compensation claims. The Workers' Compensation Plan's total discounted liability for unbilled and opened claims at June 30 2010 was \$9,769,673, with the discount rate of 2.0%. The Workers' Compensation Plan has net assets of \$ 11,213,006 at June 30, 2010 to pay these liabilities.

NOTE 14 – FUND BALANCES:

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

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

The amount of \$3,500,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2011.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL
YEAR ENDED JUNE 30, 2010**

NOTE 16 – LITIGATION:

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

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

A Grants

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

B. Operating Leases

The District leases various equipment and a vehicle under non-cancelable leases. Rental expense for the fiscal year was approximately \$67,000. The following is a summary of obligations of government activities under operating lease payments:

Fiscal Year Ended June 30,	Total
2011	11,861
2012	3,653
	<u>\$15,514</u>

**JERICHO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real Property Taxes	\$91,404,292	\$91,404,292	\$91,606,836	\$202,544
Other Real Property Tax Items	3,324,531	3,324,531	3,324,540	9
Payments Made in Lieu of Taxes		0	182,498	182,498
Charges for Services	1,053,000	1,053,000	1,206,361	153,361
Use of Money & Property	1,430,000	1,430,000	797,892	(632,108)
Forfeitures	5,000	5,000	6,040	1,040
Sale of Property & Compensation for Loss	5,000	5,000	53,436	48,436
Miscellaneous	320,000	320,000	339,358	19,358
MTA Reimbursement	0	0	126,137	126,137
Interfund Revenues	0	0	17,084	17,084
State Sources				
Basic Formula	1,903,779	1,201,962	1,702,536	500,574
Excess Cost Aid	1,637,263	1,637,263	1,730,080	92,817
Lottery Aid	0	0	74,083	74,083
BOCES Aid	375,649	375,649	422,961	47,312
Textbook Aid	195,609	195,609	190,711	(4,898)
Computer Software Aid	61,900	61,900	59,756	(2,144)
Library A/V Loan Program Aid	25,800	25,800	24,931	(869)
Other State Aid	0	0	110,714	110,714
Federal Sources				
Stabilization	0	701,817	701,817	0
Medicaid Reimbursement	0	0	57,056	57,056
TOTAL REVENUES AND OTHER SOURCES	101,741,823	101,741,823	\$102,734,827	\$993,004
Appropriated Fund Balance	3,490,381	3,490,381		
Appropriated Reserves	557,683	557,683		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$105,789,887	\$105,789,887		

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

**JERICHO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of Education	\$58,273	\$58,473	\$54,489	\$300	\$3,684
Central Administration	463,212	475,212	462,790	121	12,301
Finance	1,127,541	1,127,341	1,042,610	41,415	43,316
Staff	839,288	831,288	723,759	2,900	104,629
Central Services	7,109,071	7,109,071	6,291,455	137,138	680,478
Special Items	942,768	1,142,768	936,311	0	206,457
Instructional					
Instruction, Adm. & Imp.	4,907,249	5,047,679	4,656,624	2,203	388,852
Teaching - Regular School	37,324,807	36,894,676	35,950,502	77,864	866,310
Programs for Children with					
Handicapping Conditions	15,182,114	15,157,114	14,529,155	1,008	626,951
Occupational Education	120,000	220,000	196,793	0	23,207
Instructional Media	2,947,819	2,999,319	2,730,032	184,841	84,446
Pupil Services	5,253,131	5,411,331	5,102,725	3,371	305,235
Pupil Transportation	5,983,830	5,983,830	5,175,089	69,409	739,332
Community Services	62,986	63,987	43,528	0	20,459
Employee Benefits	19,286,660	19,086,660	16,550,831	0	2,535,829
Debt Service - interest	400,000	380,000	48,982	0	331,018
TOTAL EXPENDITURES	<u>102,008,749</u>	<u>101,988,749</u>	<u>94,495,675</u>	<u>520,570</u>	<u>6,972,504</u>
Other Financing Uses					
Transfers to Other Funds	3,781,138	3,801,138	3,783,872	0	17,266
TOTAL EXPENDITURES AND OTHER USES	<u>\$105,789,887</u>	<u>\$105,789,887</u>	<u>98,279,547</u>	<u>\$520,570</u>	<u>\$6,989,770</u>
Change in fund balance			4,455,280		
Fund balance - beginning			23,057,113		
Fund balance - ending			<u>\$27,512,393</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

**JERICO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2008	\$0	\$ 58,497,474	\$ 58,497,474	\$0	\$49,624,812	118%

**JERICO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND USE OF UNRESERVED FUND BALANCE- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$105,232,204
Add: Prior year's encumbrances	<u>557,683</u>
Original Budget	105,789,887
Budget Revisions:	<u>0</u>
Final Budget	<u><u>\$105,789,887</u></u>
Next year's voter approved budget	<u><u>\$108,918,239</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance- As of the beginning of the year	\$7,668,598
Less: Designated fund balance used for the levy of taxes- Adopted Budget	<u>3,490,381</u>
Undesignated Fund Balance- As of the beginning of the year	<u><u>\$4,178,217</u></u>

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date		Unexpended Balance	Methods of Financing				Fund Balance June 30, 2010
			Prior Year's	Current Year		Proceeds of Obligations	State Aid	Local Sources	Total	
Springer Gym Roof	\$300,000	\$300,000	\$296,524		\$3,476	\$0	\$0	\$300,000	\$300,000	\$3,476
Pool Roof	375,000	375,000	346,455		28,545	0	0	375,000	375,000	28,545
Cantiague Roof	1,100,000	1,100,000	63,492	978,040	1,041,532	0	0	1,100,000	1,100,000	58,468
Middle School/High School Roof/Tennis Courts	5,200,000	5,200,000	4,686,682	513,318	5,200,000	0	1,043,097	4,156,903	5,200,000	0
Jackson Roof	1,550,000	1,550,000	0	93,905	1,456,095	0	0	1,550,000	1,550,000	1,456,095
TOTAL	\$8,525,000	\$8,525,000	\$5,393,153	\$1,585,263	\$1,546,584	\$0	\$1,043,097	\$7,481,903	\$8,525,000	\$1,546,584

**JERICO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A-1001	\$91,606,836	\$91,606,836
Non-Property Taxes	AT-1199	0	0
State Aid	AT-3999	4,315,772	4,315,772
Federal Aid	AT-4999	758,873	758,873
TOTAL REVENUES	AT-5999	\$102,734,827	\$102,734,827
EXPENDITURES			
General Support	AT-1999	9,511,414	9,511,414
Pupil Transportation	AT-5999	5,175,089	5,175,089
Debt Service-Principal	AT-9798.6	0	0
Debt Service-Interest	AT-9798.7	48,982	48,982
TOTAL EXPENDITURES	AT-9999	\$98,279,547	\$98,279,547

**JERICHO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Capital assets, net			\$32,600,609
Deduct:			
Short-term portion of bonds payable	1,379,659		
Long-term portion of bonds payable	12,057,246		
Short-term portion of installment debt purchase	184,174		
Long-term portion of installment debt purchase	<u>741,952</u>	<u>14,363,031</u>	
Investment in capital assets, net of related debt			<u>\$18,237,578</u>

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

To the Board of Education
Jericho Union Free School District
Jericho, New York

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Jericho Union Free School District in a separate letter dated September 13, 2010.

This report is intended solely for the use and information of the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

September 13, 2010

