

**JERICO UNION FREE SCHOOL DISTRICT**

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

June 30, 2011

**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, 2011, 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, 2011, 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.

As described in Note 1.T, "Adoption of New Accounting Standard", the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011, 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.

Accounting principles generally accepted in the United State of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 16 and 50 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 53 through 56 is presented for purposes of additional analysis and 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 15, 2011

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following is a discussion and analysis of the Jericho Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2011. This section is a summary of the 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 District's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- On the District-Wide Financial Statements, revenues increased by 3% as a result of increased property taxes offset by decreases in state aid, charges for services and operating grants.
- On the District-Wide Financial Statements, expenditures increased by 2% as a result of increased general support, instruction expenses, and pupil transportation offset by a decrease in debt service.
- On the District-Wide and Fund Financial Statements, the District has adopted Governmental Accounting Standards Board ("GASB") Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" to provide clearer fund balance classification that can be more consistently applied and clarifying the existing governmental fund type definitions.
- On the Fund Financial Statements, unassigned fund balance is made up of two components, the Tax Reduction Reserve of \$145,125 and unassigned fund balance of \$4,333,364 that is limited by NYS Real Property Tax Law §1318 to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. As of June 30, 2011, the unassigned fund balance is 3.87% of the District's budget for the general fund for the ensuing fiscal year.
- Jericho High School has consistently ranked as one of the top public high schools in the United States of America. The District continued to offer all programs, without reducing services.
- On May 17, 2011, the proposed 2011-2012 budget in the amount of \$111,962,251 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:

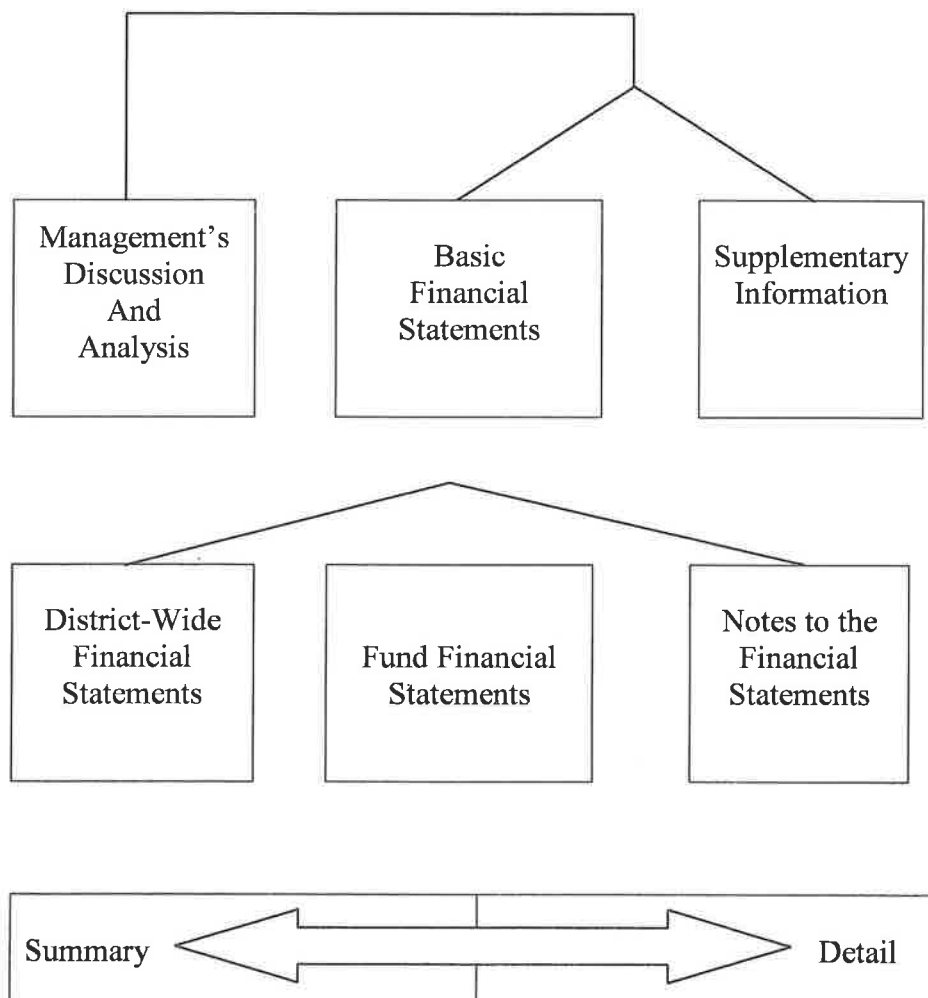
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- 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.

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, 2011**

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"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
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, 2011**

**A. District-Wide Financial Statements**

The District-Wide Financial 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 Financial 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.

District-Wide Financial 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.
  - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.



**JERICOHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 Financial 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 increased by \$417,133 in the fiscal year ended June 30, 2011 as detailed in Table A-3.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)	Percentage Change
Current assets and other assets	\$55,523,313	\$46,691,222	\$8,832,091	19%
Capital assets, net	32,206,547	32,600,609	(394,062)	-1%
Total Assets	<u>\$87,729,860</u>	<u>\$79,291,831</u>	<u>\$8,438,029</u>	<u>11%</u>
Current liabilities	\$18,874,691	\$15,982,838	\$2,891,853	18%
Long-term liabilities	47,684,106	42,555,063	5,129,043	12%
Total Liabilities	<u>\$66,558,797</u>	<u>\$58,537,901</u>	<u>\$8,020,896</u>	<u>14%</u>
Net Assets				
Investment in capital assets, net of related debt	\$19,502,907	\$18,237,578	\$1,265,329	7%
Restricted	25,170,854	19,163,903	6,006,951	31%
Unrestricted	(23,502,698)	(16,647,551)	(6,855,147)	41%
Total Net Assets	<u>\$21,171,063</u>	<u>\$20,753,930</u>	<u>\$417,133</u>	<u>2%</u>
Total Liabilities & Net Assets	<u>\$87,729,860</u>	<u>\$79,291,831</u>	<u>\$8,438,029</u>	<u>11%</u>

Reclassifications have been made to the restricted and unrestricted net assets to conform to the 2011 financial statement classification. This new classification is consistent to restricted fund balance per GASB Statement No. 54. Such reclassification had no effect on the total net assets as previously reported.

Current assets and other assets increased \$8,832,091 from 2010 to 2011 primarily due to an increase in cash offset by decreases in taxes receivable and state and federal aid receivable. Capital assets (net of depreciation) decreased by \$394,062. This was attributable to capital asset additions and retirements offset by current year depreciation. Current liabilities increased by \$2,891,853. This was attributable to increases in due to teachers' retirement system and employees retirement system due to increases in rates offset by decreases in accounts payable and due to other governments. Long-term liabilities increased by \$5,129,043 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.

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 \$1,265,329 due to additional capital expenses for building improvements and equipment, and principal payments on debt, offset by depreciation. Net assets overall increased by \$417,133.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011 and 2010 is as follows:

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

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$2,129,632	\$2,265,760	(\$136,128)	-6%
Operating Grants	1,924,684	2,475,551	(550,867)	-22%
General Revenues				
Property Taxes (including Other tax items)	98,679,621	95,113,874	\$3,565,747	4%
State Formula Aid	4,086,496	4,315,772	(\$229,276)	-5%
Use of Money and Property	824,014	802,285	\$21,729	3%
Other	677,403	654,723	\$22,680	3%
Total Revenues	<u>\$108,321,850</u>	<u>\$105,627,965</u>	<u>\$2,693,885</u>	<u>3%</u>
Expenses				
General Support	\$12,461,548	\$11,717,321	\$744,227	6%
Instruction	88,019,906	87,039,452	980,454	1%
Pupil Transportation	5,500,857	5,371,401	129,456	2%
Community Service	59,568	59,888	(320)	-1%
Debt Service - interest	583,242	643,438	(60,196)	-9%
Food Service Program	1,279,596	1,280,509	(913)	0%
Total Expenses	<u>\$107,904,717</u>	<u>\$106,112,009</u>	<u>\$1,792,708</u>	<u>2%</u>
Increase (Decrease) in Net Assets	<u>\$417,133</u>	<u>(\$484,044)</u>	<u>\$901,177</u>	

The District's fiscal year 2011 revenues totaled \$108,321,850. (See Table A-4). Property taxes (including other tax items) and state formula aid accounted for most of the District's revenue by contributing 91 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 cost of all programs and services totaled \$107,904,717 for fiscal year 2011. 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 12% of total costs.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Table A-5: Revenues for Fiscal Year 2011 (See Table A-4)

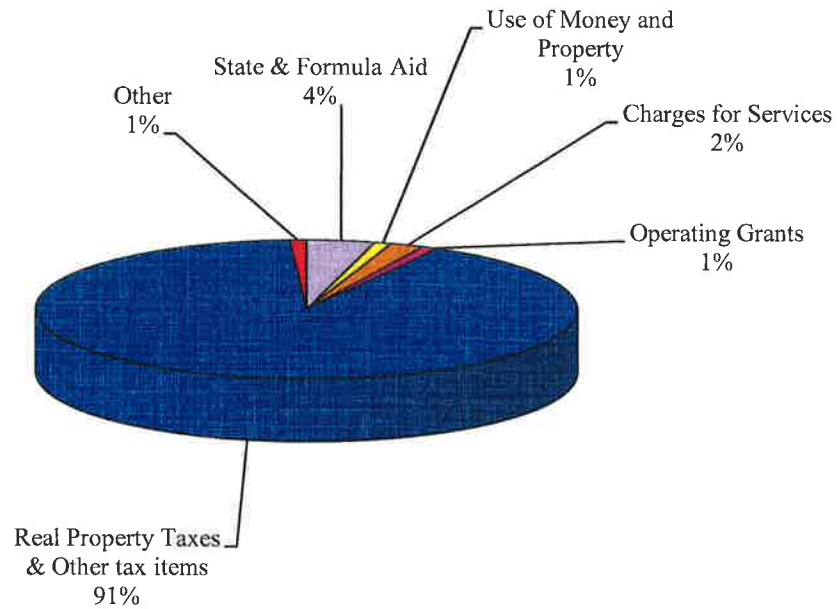
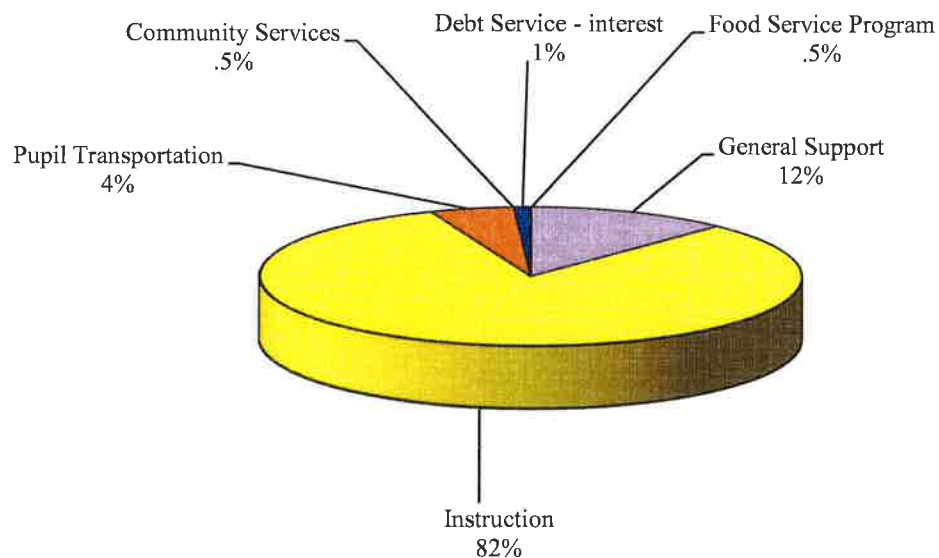


Table A-6: Expenses for Fiscal Year 2011 (See Tables A-4 and A-7)



**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**C. Governmental Activities**

Revenues for the District's governmental activities totaled \$108,321,850 while total expenses equaled \$107,904,717. The overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strong tax base;
- 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 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
General Support	\$12,461,548	\$11,717,321	\$12,461,548	\$11,717,321
Instruction	88,019,906	87,039,452	85,132,960	83,481,669
Pupil Transportation	5,500,857	5,371,401	5,500,857	5,371,401
Community Service	59,568	59,888	59,568	59,888
Debt Service- Interest	583,242	643,438	583,242	643,438
Food Service Program	1,279,596	1,280,509	112,226	96,981
Total	<u>\$107,904,717</u>	<u>\$106,112,009</u>	<u>\$103,850,401</u>	<u>\$101,370,698</u>

- The cost of all governmental activities this year was \$107,904,717. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs \$2,129,632 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 \$1,924,684. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$103,850,401 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3)

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011, the District's combined governmental funds reported a total fund balance of \$36,390,594 which is an increase of \$5,831,884 over the prior year.

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

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for Employee Benefit				
Accrued Liabilities	\$13,624,437	\$13,540,042	\$84,395	1%
Restricted for Retirement Contributions	10,248,424	5,229,595	5,018,829	96%
Restricted for Unemployment Insurance	250,144	250,000	144	0%
Assigned-Designated for				
subsequent year's expenditures	4,100,000	3,500,000	600,000	17%
Assigned for General Support	130,484	181,874	(51,390)	-28%
Assigned for Instruction	333,790	269,287	64,503	24%
Assigned for Pupil Transportation	0	69,409	(69,409)	-100%
Unassigned for Tax Reduction	145,125	144,266	859	1%
Unassigned	4,333,364	4,327,920	5,444	0%
Total Fund Balance - General Fund	<u>\$33,165,768</u>	<u>\$27,512,393</u>	<u>\$5,653,375</u>	<u>21%</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)	Total Percentage Change
<b>School Lunch Fund</b>				
Nonspendable for Inventory	\$71,825	\$69,955	\$1,870	3%
Assigned for School Lunch	423,331	383,881	39,450	10%
Total Fund Balance - School Lunch Fund	<u>\$495,156</u>	<u>\$453,836</u>	<u>\$41,320</u>	<u>9%</u>
<b>Debt Service Fund</b>				
Restricted for Debt Service	\$1,047,849	\$1,045,897	\$1,952	0%
Total Fund Balance - Debt Service Fund	<u>\$1,047,849</u>	<u>\$1,045,897</u>	<u>\$1,952</u>	<u>0%</u>
<b>Capital Projects Fund</b>				
Assigned for Capital Projects	\$1,681,821	\$1,546,584	\$135,237	9%
Total Fund Balance - Capital Projects Fund	<u>\$1,681,821</u>	<u>\$1,546,584</u>	<u>\$135,237</u>	<u>9%</u>
Total Fund Balance - All Funds	<u><u>\$36,390,594</u></u>	<u><u>\$30,558,710</u></u>	<u><u>\$5,831,884</u></u>	<u><u>19%</u></u>

Reclassifications have been made to the 2010 balances for nonspendable, assigned, restricted and unassigned fund balance to conform to the 2011 financial statement classification. This new classification is consistent with fund balance classifications per GASB Statement No. 54. Such reclassification had no effect on the total fund balance as previously reported.

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

## **5. GENERAL FUND BUDGETARY HIGHLIGHTS**

### **A. 2010-2011 Budget**

The District's General Fund adopted budget for the year ended June 30, 2011 was \$108,918,239. This amount was increased by encumbrances carried forward from the prior year in the amount of \$520,570 which resulted in a final budget of \$109,438,809. The majority of the funding was property taxes and STAR revenue of \$98,445,239.

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

The General Fund's unassigned 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:

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Opening, Unassigned Fund Balance	\$4,327,920
Revenues Over Budget	203,110
Expenditures and Encumbrances Under Budget	9,006,561
Increase to Restricted for Employee Benefit Accrued Liability	(84,395)
Increase to Restricted for Retirement Contribution	(5,018,829)
Increase to Restricted for Unemployment Insurance	(144)
Increase to Unassigned for Tax Reduction	(859)
Assigned for June 30, 2012 Budget	(4,100,000)
Closing, Unassigned Fund Balance	<u><u>\$4,333,364</u></u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted, assigned for subsequent years' taxes, or unassigned but reserved for tax reduction. This amount is limited to 4% of the subsequent year's budget.

The revenues over budget of \$203,110 were from various revenue sources higher than budgeted, such as payments in lieu of taxes, state aid, and property taxes (due to additional tax receipts from expired tax exemptions and split property line reimbursements), offset by other revenues that were lower than budgeted, such as charges for services and use of money and property (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$9,006,561 were primarily from general support, instructional, pupil transportation 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. The net increase of \$84,395 to the restricted reserve for employee benefit accrued liability was made up of \$97,586 in interest earnings plus \$478,313 of authorized transfer into the reserve, net of \$491,504 appropriated from the reserve and expended during the year for compensated absences payments made to retiring employees (For further detail refer to Section 4 in the Management Discussion and Analysis).

## **6. CAPITAL ASSET AND DEBT ADMINISTRATION**

### **A. Capital Assets**

The District paid for equipment and various building additions and renovations during the fiscal year 2011. A summary of the District's capital assets net of depreciation is as follows:



**JERICOHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Category	Fiscal Year 2011	Fiscal Year 2010	Increase Decrease	Percentage Change
Land	\$357,356	\$357,356	\$0	0%
Construction in Progress	900,201	606,473	293,728	48%
Buildings & Building Improvements	47,497,453	46,924,460	572,993	1%
Machinery and Equipment	3,222,590	3,025,366	197,224	7%
Subtotal	51,977,600	50,913,655	1,063,945	2%
Less: Accumulated Depreciation	19,771,053	18,313,046	1,458,007	8%
Total Net Capital Assets	<u>\$32,206,547</u>	<u>\$32,600,609</u>	<u>(\$394,062)</u>	<u>-1%</u>

**B. Long-Term Debt**

At June 30, 2011, The District had total bonds payable of \$12,057,246. The bonds were issued for district-wide projects. The District had installment purchase debt for equipment leases of \$741,952. The decrease in outstanding debt represents payments against principal. A summary of outstanding debt at June 30, 2011 and 2010 is as follows:

	2011	2010	Increase (Decrease)
Advance Refunding Bond	\$12,057,246	\$13,436,905	(\$1,379,659)
Installment Purchase Debt	741,952	926,126	(184,174)
Total	<u>\$12,799,198</u>	<u>\$14,363,031</u>	<u>(\$1,563,833)</u>

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

- A.** The District issued \$12,000,000 in tax anticipation notes on June 29, 2011 maturing on June 15, 2012 for the following:

Amount	Rate	Premium
\$12,000,000	2.00%	\$198,659

- B.** The general fund budget for the 2011-2012 school year was approved by the voters in the amount of \$111,962,251. This is an increase of 2.79% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C.** The 2011-2012 budget is impacted by certain trends impacting school districts. These include increases in retirement contributions and health insurance costs.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- D. The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.
- E. The "Common Sense Act of 2010" passed by the Nassau County Legislature on October 29, 2010 repealed the "County Guarantee" provision of the Nassau County Administrative Code which required the County to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by towns, special districts and school districts. The effective date shall be with respect to assessment rolls that are finalized in April 2012 and thereafter. In two recent court decisions, Nassau County's lawful responsibility for any and all costs and penalties resulting from errors in its assessment practices was again affirmed. Nassau County School Districts are working collaboratively to litigate against the Common Sense Act of 2010 and for the County to continue to pay for its errors in its assessment practices as is lawfully required.

**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  
Victor Manuel  
Assistant Superintendent for Business Affairs  
99 Cedar Swamp Road  
Jericho, New York 11753-1202  
(516) 203-3600 ext:3214

**JERICO UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS-GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2011**

**ASSETS**

Cash	
Unrestricted	\$49,308,588
Restricted	1,047,849
Receivables	
Taxes receivable	2,073,413
State and federal aid	2,265,630
Due from other governments	561,213
Due from fiduciary funds	10,068
Other	89,169
Inventories	71,825
Prepaid expenditures	95,558
Capital assets, net	<u>32,206,547</u>
<b>TOTAL ASSETS</b>	<b><u>\$87,729,860</u></b>

**LIABILITIES**

Payables	
Accounts payable	\$1,001,055
Accrued liabilities	305,781
Retainage payable	39,969
Bond interest payable	217,401
Due to other governments	195,822
Due to teachers' retirement system	4,210,801
Due to employees' retirement system	705,070
Deferred credits	
Deferred revenue	198,792
Note payable	
Tax anticipation note	12,000,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,390,000
Deferred amounts on refunding	(341)
Installment purchase debt	189,776
Compensated absences payable	500,000
Due and payable after one year	
Bonds payable	10,670,000
Deferred amounts on refunding	(2,413)
Installment purchase debt	552,176
Compensated absences payable	17,441,509
Net other postemployment benefits obligation payable	<u>16,943,399</u>
<b>TOTAL LIABILITIES</b>	<b><u>66,558,797</u></b>

**NET ASSETS**

Investment in capital assets, net of related debt	19,502,907
Restricted	25,170,854
Unrestricted	<u>(23,502,698)</u>

<b>TOTAL NET ASSETS</b>	<b><u>21,171,063</u></b>
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<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b><u>\$87,729,860</u></b>
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**JERICHO UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
<b>FUNCTIONS / PROGRAMS</b>				<b>Net Assets</b>
General support	\$12,461,548			(\$12,461,548)
Instruction	88,019,906	\$1,123,318	1,763,628	(85,132,960)
Pupil transportation	5,500,857			(5,500,857)
Community services	59,568			(59,568)
Debt service- interest	583,242			(583,242)
Food Service program	1,279,596	1,006,314	161,056	(112,226)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$107,904,717</u>	<u>\$2,129,632</u>	<u>\$1,924,684</u>	<u>(\$103,850,401)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				\$94,422,625
Other tax items - including STAR reimbursement				4,256,996
Use of money & property				824,014
Forfeitures				12,450
Sale of property & compensation for loss				16,206
Miscellaneous				648,747
State sources				4,086,496
<b>TOTAL GENERAL REVENUES</b>				<u>\$104,267,534</u>
<b>CHANGE IN NET ASSETS</b>				417,133
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>				<u>20,753,930</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>				<u>\$21,171,063</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$46,270,471	\$907,994	\$450,477		\$1,679,646	\$49,308,588
Restricted				\$1,047,849		1,047,849
Receivables						
Taxes receivable	2,073,413					2,073,413
State and federal aid	1,024,562	1,233,740	7,328			2,265,630
Due from other governments	561,213					561,213
Due from other funds	2,082,209	131,525	3,145		42,734	2,259,613
Accounts receivable	86,067		3,102			89,169
Inventories			71,825			71,825
<b>TOTAL ASSETS</b>	<u>\$52,097,935</u>	<u>\$2,273,259</u>	<u>\$535,877</u>	<u>\$1,047,849</u>	<u>\$1,722,380</u>	<u>\$57,677,300</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Payables						
Accounts payable	\$996,995		\$3,470		\$590	\$1,001,055
Accrued liabilities	275,598	\$23,581	6,602			305,781
Retainage payable					39,969	39,969
Due to other governments	195,472		350			195,822
Due to other funds		2,249,545				2,249,545
Due to teachers' retirement system	4,210,801					4,210,801
Due to employees' retirement system	674,771		30,299			705,070
Notes payable						
Tax anticipation note	12,000,000					12,000,000
Deferred credits						
Deferred revenue	578,530	133				578,663
<b>TOTAL LIABILITIES</b>	<u>18,932,167</u>	<u>2,273,259</u>	<u>40,721</u>	<u>0</u>	<u>40,559</u>	<u>21,286,706</u>
<b>FUND BALANCE</b>						
Nonspendable			71,825			71,825
Restricted	24,123,005			1,047,849		25,170,854
Assigned	4,564,274		423,331		1,681,821	6,669,426
Unassigned	4,478,489					4,478,489
<b>TOTAL FUND BALANCE</b>	<u>33,165,768</u>	<u>0</u>	<u>495,156</u>	<u>1,047,849</u>	<u>1,681,821</u>	<u>36,390,594</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$52,097,935</u>	<u>\$2,273,259</u>	<u>\$535,877</u>	<u>\$1,047,849</u>	<u>\$1,722,380</u>	<u>\$57,677,300</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
JUNE 30, 2011**

Total Governmental Fund Balances	\$36,390,594
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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	\$51,977,600	
Accumulated depreciation	<u>(19,771,053)</u>	32,206,547

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	95,558
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Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

379,871

Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds payable	(12,057,246)	
Accrued interest on bonds payable	(217,401)	
Installment purchase debt	(741,952)	
Net other postemployment benefits obligations payable	(16,943,399)	
Compensated absences payable	<u>(17,941,509)</u>	<u>(47,901,507)</u>

Total Net Assets	<u><u>\$21,171,063</u></u>
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**JERICO UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$94,422,625					\$94,422,625
Other tax items - including STAR reimbursement	4,256,996					4,256,996
Charges for services	1,033,318					1,033,318
Use of money and property	820,078		\$1,984	\$1,952		824,014
Forfeitures	12,450					12,450
Sale of property and compensation for loss	16,206					16,206
Miscellaneous	641,572					641,572
Interfund revenue	4,555					4,555
State sources	4,086,496	\$295,917	14,917			4,397,330
Federal sources	327,053	1,140,658	86,921			1,554,632
Surplus food			59,218			59,218
Sales - food services			1,006,314			1,006,314
<b>TOTAL REVENUES</b>	<u>105,621,349</u>	<u>1,436,575</u>	<u>1,169,354</u>	<u>1,952</u>	<u>0</u>	<u>108,229,230</u>
<b>EXPENDITURES</b>						
General support	10,059,564					10,059,564
Instruction	62,324,818	1,636,575				63,961,393
Pupil transportation	5,371,408					5,371,408
Community service	41,895					41,895
Employee benefits	18,856,209		276,822			19,133,031
Debt service - principal				1,380,000		1,380,000
Debt service - interest	44,717			549,363		594,080
Cost of sales			991,212			991,212
Capital outlay					864,763	864,763
<b>TOTAL EXPENDITURES</b>	<u>96,698,611</u>	<u>1,636,575</u>	<u>1,268,034</u>	<u>1,929,363</u>	<u>864,763</u>	<u>102,397,346</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>8,922,738</u>	<u>(200,000)</u>	<u>(98,680)</u>	<u>(1,927,411)</u>	<u>(864,763)</u>	<u>5,831,884</u>
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in		200,000	140,000	1,929,363	1,000,000	3,269,363
Operating transfers (out)	(3,269,363)					(3,269,363)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,269,363)</u>	<u>200,000</u>	<u>140,000</u>	<u>1,929,363</u>	<u>1,000,000</u>	<u>0</u>
<b>CHANGE IN FUND BALANCE</b>	<u>5,653,375</u>	<u>0</u>	<u>41,320</u>	<u>1,952</u>	<u>135,237</u>	<u>5,831,884</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<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>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$33,165,768</u>	<u>\$0</u>	<u>\$495,156</u>	<u>\$1,047,849</u>	<u>\$1,681,821</u>	<u>\$36,390,594</u>

**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, 2011**

Net Change in Fund Balance		\$5,831,884
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 are measured by the the amounts earned during the year.		
In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Increase in compensated absences liability:		(1,214,684)
Increase in net other postemployment benefits obligation payable		(5,478,192)
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		
		97,175
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		1,380,000
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		184,174
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, 2010 to June 30, 2011 decreased by		23,000
Capital Related Items		
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as summarized below:		
Capital outlays	1,063,945	
Depreciation expense	(1,458,007)	(394,062)
Changes in Net Assets of Governmental Activities		<u>\$417,133</u>



**JERICO UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$103,847	\$761,820
Due from other funds		79,932
Due from other governments		378
<b>TOTAL ASSETS</b>	<u>\$103,847</u>	<u>\$842,130</u>
<b>LIABILITIES</b>		
Extraclassroom activity balance		213,790
Due to other funds		90,000
Other liabilities		538,340
<b>TOTAL LIABILITIES</b>	<u>\$0</u>	<u>\$842,130</u>
<b>NET ASSETS</b>		
Reserved for scholarships	\$103,847	
<b>TOTAL NET ASSETS</b>	<u>\$103,847</u>	

**JERICO UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$28,280
Interest and earnings	386
<b>TOTAL ADDITIONS</b>	<u>28,666</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>28,650</u>
<b>TOTAL DEDUCTIONS</b>	<u>28,650</u>
<b>CHANGE IN NET ASSETS</b>	16
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>103,831</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$103,847</u></u>

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 – SUMMARY OF 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 applied 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.

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*, and 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 any component units 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.

**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 reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Assets – Fiduciary Funds.

**JERICO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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.

**C) Basis of presentation:**

**i) District-Wide Financial 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 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 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.

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

**General Fund:** This fund 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:** These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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.

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**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 Financial 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:**

**i) Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1st, and become a lien on October 1st and April 1st. Taxes are collected by the Towns of Oyster Bay and North Hempstead during the periods October 1st through November 10th, and April 1st through May 10th without penalty.

**ii) Enforcement**

Uncollected real property taxes are subsequently enforced by Nassau County (the "County"). 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 1st.

**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

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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 Financial 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 8 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 post employment benefits, workers compensation claims, potential contingent liabilities, and useful lives of long-lived assets.

**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.

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**J) Accounts receivable:**

Accounts receivable 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, at stated value, which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

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) Other assets:**

In the District Wide Financial Statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements, these same costs are netted against bond proceeds and recognized in the period of issuance.

**M) 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 are used. 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 Financial Statements are as follows:

	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



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**N) 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 incurring 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.

There are deferred revenues recorded in governmental funds that are not recorded in the District –Wide Financial Statements.

**O) Vested employee benefits:**

**i) 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.

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

**P) Other benefits:**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors 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

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during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

**Q) Short-term debt:**

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

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

**R) 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, other postemployment benefits payable 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.

**S) Equity Classifications:**

**i) District-Wide Financial Statements:**

In the District-Wide Financial 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.

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

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

ii) Fund Financial Statements:

As of these financial statements, the District has adopted GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (GASB 54) which redefines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$71,825.
- (2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology “reserves” and school districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

<u>Restricted for:</u>	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Employee Benefit Accrued Liability	\$13,624,437		\$13,624,437
Retirement Contributions	10,248,424		10,248,424
Unemployment Insurance	250,144		250,144
Debt Service		\$1,047,849	1,047,849
Total	<u>\$24,123,005</u>	<u>\$1,047,849</u>	<u>\$25,170,854</u>

Beginning fund balances for the District’s governmental funds and the governmental activities have been reclassified to reflect the above classifications.

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Reserve for Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Retirement Contribution Reserve

According to General Municipal Law §6-r, must be used for financing employee retirement system (ERS) 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.

Unemployment Insurance Reserve

According to General Municipal Law §6-m, must be 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.

Restricted for Debt Service

Interest earnings from investing the proceeds of debt obligations are recorded as amounts restricted for debt service.

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2011.
- (4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The District has classified the following as assigned:

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<u>Assigned for:</u>	<u>General</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total</u>
Designated for Subsequent				
Year's Expenditures	\$4,100,000			\$4,100,000
General support	130,484			130,484
Instruction	333,790			333,790
School lunch		\$423,331		423,331
Capital projects			\$1,681,821	1,681,821
Total	<u>\$4,564,274</u>	<u>\$423,331</u>	<u>\$1,681,821</u>	<u>\$6,669,426</u>

Beginning fund balances for the District's governmental funds and the governmental activities have been reclassified to reflect the above classifications.

Designated for Subsequent Year's Expenditures

The amount of \$4,100,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2012.

Encumbrances

Encumbrances have been assigned based upon the District's intent to be used for a specific purpose such as general support, instruction and capital projects. See Note 3 for further detail regarding accountability and Note 14 for further detail regarding significant encumbrances.

- (5) **Unassigned** fund balance – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance. The District has classified the following as unassigned:

<u>Unassigned for:</u>	<u>General Fund</u>
Tax Reduction	\$145,125
Unassigned fund balance	4,333,364
Total	<u>\$ 4,478,489</u>

Tax Reduction Reserve

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.

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NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District also contains an amount for a reserve for Tax Reduction that is excluded from the 4% limitation. Currently, the District has an unassigned fund balance that is at 3.87% of the District's budget for the general fund for the ensuing fiscal year.

**Order of Use of Fund Balance**

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T) Adoption of New Accounting Standard:**

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement 54 is effective for the District's fiscal year ending June 30, 2011, and was adopted by the District. See Note 1 S) ii) for further information.

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial 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.

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**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 and the Statement of Activities fall into one of three broad categories:

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 accrual 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 Financial 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 both interest and principal payments are recorded as expenditures in the Fund Financial 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.

In addition, expenditures for employee benefits are reported as a specific line item and not allocated to expenditure functions on the Statement of Revenues, Expenditures, and Changes in Fund Balance. These costs have been allocated based on total salary for each function in the Statement of Activities.

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) 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

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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 from the prior year.

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

**B) Encumbrances:**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned 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 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

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. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposits 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.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:



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- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution; 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.

**B) Restricted Cash:**

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 \$1,047,849 in the debt service fund.

**NOTE 5 – PARTICIPATION IN BOCES**

During the year, the District was billed \$2,038,786 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$420,081. Financial statements for the BOCES are available from the BOCES administrative office at Nassau Board of Cooperative Educational Services George Farber Administrative Center 71 Clinton Road, Garden City, NY 11530.

**NOTE 6 –RECEIVABLES:**

Receivables at year-end for individual funds are as follows:

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Total Governmental Funds</u>
Taxes receivable				
Town of Oyster Bay	\$1,816,023			\$1,816,023
Town of North Hempstead	257,390			257,390
Total Taxes receivable	<u>2,073,413</u>	<u>0</u>	<u>0</u>	<u>2,073,413</u>

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	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Total Governmental Funds</u>
Due from state and federal				
BOCES aid receivable	331,931			331,931
Excess cost aid	511,173			511,173
Stabilization - ARRA	66,919			66,919
NYS - MTA Tax reimbursement	79,871			79,871
Medicare part D	34,668			34,668
Lunch - federal		6,266		6,266
Lunch - state		1,062		1,062
Federal grants			279,995	279,995
State grants			953,745	953,745
Total Due from state and federal	<u>1,024,562</u>	<u>7,328</u>	<u>1,233,740</u>	<u>2,265,630</u>
Due from other governments				
Interest - Town of North Hempstead	713			713
Health services	108,195			108,195
Tuition receivable	76,924			76,924
Special Education	300,000			300,000
Nassau county drug & alcohol	75,381			75,381
Total due from other governments	<u>561,213</u>	<u>0</u>	<u>0</u>	<u>561,213</u>
Accounts receivable				
Miscellaneous	86,067	\$3,102		89,169
Total accounts receivable	<u>86,067</u>	<u>3,102</u>	<u>0</u>	<u>89,169</u>
Total	<u><u>3,745,255</u></u>	<u><u>10,430</u></u>	<u><u>1,233,740</u></u>	<u><u>4,989,425</u></u>

District management has deemed these amounts to be fully collectible.

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**NOTE 7 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$357,356			\$357,356
Construction in progress	606,473	\$864,763	(\$571,035)	900,201
Total capital assets not being depreciated	<u>963,829</u>	<u>864,763</u>	<u>(571,035)</u>	<u>1,257,557</u>
Capital assets that are depreciated:				
Building & building improvements	46,924,460	1,958	571,035	47,497,453
Machinery and equipment	3,025,366	197,224		3,222,590
Total capital assets being depreciated	<u>49,949,826</u>	<u>199,182</u>	<u>571,035</u>	<u>50,720,043</u>
Less accumulated depreciation:				
Building & building improvements	16,685,886	1,137,527		17,823,413
Machinery and equipment	1,627,160	320,480		1,947,640
Total accumulated depreciation	<u>18,313,046</u>	<u>1,458,007</u>	<u>0</u>	<u>19,771,053</u>
Total depreciable historical cost, net	<u>\$32,600,609</u>	<u>(\$394,062)</u>	<u>\$0</u>	<u>\$32,206,547</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$205,292
Instruction	1,233,987
Pupil Transportation	4,587
School Lunch	14,141
	<u>\$1,458,007</u>

**NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General fund	\$2,082,209			\$3,269,363
Special aid fund	131,525	2,249,545	200,000	
School lunch fund	3,145		140,000	
Debt service fund			1,929,363	
Capital projects fund	42,734		1,000,000	
Total government activities	<u>2,259,613</u>	<u>2,249,545</u>	<u>3,269,363</u>	<u>3,269,363</u>
Fiduciary agency fund	79,932	90,000		
Totals	<u>\$2,339,545</u>	<u>\$2,339,545</u>	<u>\$3,269,363</u>	<u>\$3,269,363</u>

The District typically transfers from the general fund to the debt service fund to pay down debt.  
The District typically transfers from the general fund to the capital projects fund to finance

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by State Law. The District transferred from the general fund to the school lunch fund to support the school lunch program.

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

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

**NOTE 9 - SHORT-TERM DEBT:**

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	06/15/12	2.00%	\$0	\$12,000,000	\$0	\$12,000,000
TAN	06/17/11	1.50%	10,000,000		10,000,000	\$0
Total			<u>\$10,000,000</u>	<u>\$12,000,000</u>	<u>\$10,000,000</u>	<u>\$12,000,000</u>

Interest expense on short-term debt for the year was \$44,717.

This debt was issued for interim financing of general fund operations.

**NOTE 10 – LONG-TERM DEBT OBLIGATIONS:**

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:	\$13,440,000		\$1,380,000	\$12,060,000	\$1,390,000
Less- deferred amounts on refunding	(3,095)		(341)	(2,754)	(341)
Installment purchase debt	926,126		184,174	741,952	189,776
Total bonds & notes payable	<u>14,363,031</u>	<u>0</u>	<u>1,563,833</u>	<u>12,799,198</u>	<u>1,579,435</u>
Other liabilities:					
Net other post employment benefits obligation	11,465,207	6,708,321	1,230,129	16,943,399	0
Compensated absences	16,726,825	1,214,684		17,941,509	500,000
Total other liabilities	<u>28,192,032</u>	<u>7,923,005</u>	<u>1,230,129</u>	<u>34,884,908</u>	<u>500,000</u>
Total long-term liabilities	<u>\$42,555,063</u>	<u>\$7,923,005</u>	<u>\$2,793,962</u>	<u>\$47,684,106</u>	<u>\$2,079,435</u>

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

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 were not included in the District's financial statements. The outstanding principal balance of the defeased bonds was called and 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 Year End
Advance Refunding Serial Bond	3/27/2007	2020	3.5 - 5%	<u>\$12,060,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	1,420,000	263,638	1,683,638
2017-2020	<u>4,990,000</u>	<u>434,045</u>	<u>5,424,045</u>
	<u>\$12,060,000</u>	<u>\$2,350,819</u>	<u>\$14,410,819</u>

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

Fiscal Year Ended June 30,	Total
2012	\$341
2013	341
2014	341
2015	341
2016	341
2017 - 2020	<u>1,049</u>
	<u>\$2,754</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	<u>Total</u>
Interest paid	\$549,363
Less interest accrued in the prior year	(240,401)
Plus interest accrued in the current year	217,401
Amortization of deferred charges	<u>12,162</u>
Total expense	<u><u>\$538,525</u></u>

The following is a summary of the maturing debt service requirements of installment purchase debt (copier equipment leases) issued in April 2010 and maturing in April 2015. Principal and interest has been calculated with an imputed interest rate of 3%.

Fiscal Year Ended June 30,	Principal	Interest	Total
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
	<u>\$741,952</u>	<u>\$43,443</u>	<u>\$785,395</u>

**NOTE 11 – PENSION PLANS:**

**A) General information:**

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

**B) Provisions and administration:**

**i) Teachers' Retirement System**

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.

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ii) Employees' Retirement System

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.

**C) Funding policies:**

The Systems are noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% 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:

	ERS	TRS
2010-2011	\$1,497,264	\$3,950,860
2009-2010	\$1,051,756	\$2,884,955
2008-2009	\$755,242	\$3,301,553

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

**A) Plan Description:**

The District provides post employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. NYSHIP Empire Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by New York State. The Plan provides medical insurance benefits to eligible retirees and their spouses. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district.

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**B) Funding Policy:**

The contribution requirements of Plan members and the 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 2011, the District contributed \$ 1,082,098 to the plan. Plan members receiving benefits contributed 50-75% of the health insurance premium.

**C) 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's net OPEB obligation to the Plan:

Annual required contribution	\$ 6,885,065
Interest on net OPEB obligation	452,687
Adjustment to Annual Required Contribution	<u>(629,431)</u>
Annual OPEB cost (expense)	6,708,321
Contributions made	<u>(1,082,098)</u>
Increase in net OPEB obligation	5,626,223
Net OPEB obligation-beginning of year	11,465,207
*Adjustment to Net OPEB obligation as of June 30, 2010	<u>(148,031)</u>
Net OPEB obligation-end of year	<u><u>\$ 16,943,399</u></u>

\* The net OPEB obligation as of June 30, 2010 reflected in the District's June 30, 2010 financial statement was \$11,465,207. Based upon additional information obtained by the actuary, the net OPEB obligation as of June 30, 2010 was reduced by \$148,031 in order to derive the correct net OPEB obligation as of June 30, 2011.

The District's annual OPEB cost, OPEB contributions and adjustments, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the current and preceding years, were as follows:



**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions &amp; Adjustments</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 6,664,803	\$ 921,008	14.0%	\$ 5,743,795
June 30, 2010	\$ 6,575,100	\$ 853,688	13.0%	\$ 11,465,207
June 30, 2011	\$ 6,708,321	\$ 1,230,129	18.3%	\$ 16,943,399

**D) Funded Status and Funding Progress:**

As of July 1, 2010, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$63,218,162 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$63,218,162. The covered payroll was \$50,736,898 and the percentage of the UAAL to the covered payroll was 125%.

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 following the notes to the financial statements 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.

**E) 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, 2010 actuarial report 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. The remaining amortization period at June 30, 2011 was 27 years.

**JERICO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 – RISK MANAGEMENT:**

**A) 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.

**B) Consortiums and Self Insured Plan:**

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

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 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, 2011 was \$14,279,806 with the discount rate of 2.0%. The Workers' Compensation Plan has net assets of \$12,595,080 at June 30, 2011 to pay these liabilities.

**NOTE 14– 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 specialty equipment under operating leases. Total expenditures for the fiscal year ended June 30, 2011 were approximately \$11,861. The minimum future operating lease payments are as follows:

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Fiscal Year Ended	
June 30	Total
2012	3,653
Total lease payments	<u>\$3,653</u>

**C) Litigation:**

As of June 30, 2011 management is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**D) Encumbrances:**

Significant encumbrances included in governmental fund balances have been classified as assigned fund balance and are as follows:

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2011 were \$464,274. Significant encumbrances of \$217,219 were assigned to computer hardware, \$66,857 for equipment, \$38,885 for professional services, and \$30,455 for textbooks.
- ii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2011 were \$125,526. Significant encumbrances of \$125,526 were assigned to Jackson Elementary School roof project.
- iii) **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2011 were \$142,220. No significant encumbrances were identified.

**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real Property Taxes	\$94,259,222	\$94,259,222	\$94,422,625	\$163,403
Other Real Property Tax Items	4,186,017	4,186,017	4,139,972	(46,045)
Payments Made in Lieu of Taxes	0	0	117,024	117,024
Charges for Services	1,303,000	1,303,000	1,033,318	(269,682)
Use of Money & Property	1,050,000	1,050,000	820,078	(229,922)
Forfeitures	10,000	10,000	12,450	2,450
Sale of Property & Compensation for Loss	20,000	20,000	16,206	(3,794)
Miscellaneous	340,000	340,000	441,200	101,200
MTA Reimbursement	250,000	250,000	200,372	(49,628)
Interfund Revenues	0	0	4,555	4,555
State Sources				
Basic Formula	2,970,847	2,970,847	1,459,093	(1,511,754)
Excess Cost Aid	0	0	1,779,900	1,779,900
Lottery Aid	76,000	76,000	95,970	19,970
BOCES Aid	352,600	352,600	420,081	67,481
Tuition Disabled Students Aid	0	0	59,002	59,002
Textbook Aid	188,500	188,500	189,080	580
Computer Software Aid	60,000	60,000	58,827	(1,173)
Library A/V Loan Program Aid	25,000	25,000	24,543	(457)
Federal Sources				
Stabilization	327,053	327,053	327,053	0
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>105,418,239</b>	<b>105,418,239</b>	<b>\$105,621,349</b>	<b>\$203,110</b>
Assigned - Designated for for Subsequent year's expenditures	3,500,000	3,500,000		
Prior Year Encumbrances	520,570	520,570		
<b>TOTAL REVENUES &amp; APPROPRIATED FUND BALANCE</b>	<b>\$109,438,809</b>	<b>\$109,438,809</b>		

**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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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>
<b>EXPENDITURES</b>					
General Support					
Board of Education	\$62,200	\$79,200	\$72,742	\$0	\$6,458
Central Administration	490,914	490,914	474,915	450	15,549
Finance	1,175,235	1,175,235	1,095,508	39,336	40,391
Staff	862,798	845,798	740,318	11,327	94,153
Central Services	7,517,077	7,517,077	6,740,501	79,371	697,205
Special Items	1,212,478	1,212,478	935,580	0	276,898
Instructional					
Instruction, Adm. & Imp.	4,961,447	5,372,447	5,065,080	27,695	279,672
Teaching - Regular School	38,196,635	37,713,285	35,009,931	66,271	2,637,083
Programs for Children with					
Handicapping Conditions	15,865,185	15,865,185	14,367,807	240	1,497,138
Occupational Education	120,000	120,000	96,601	0	23,399
Teaching Special Schools	0	0	0		0
Instructional Media	3,035,015	3,042,015	2,634,505	231,758	175,752
Pupil Services	5,407,398	5,466,748	5,150,894	7,826	308,028
Pupil Transportation	6,281,685	6,281,685	5,371,408	0	910,277
Community Services	62,000	68,000	41,895	0	26,105
Employee Benefits	20,519,379	20,519,379	18,856,209	0	1,663,170
Debt Service - interest	400,000	400,000	44,717	0	355,283
<b>TOTAL EXPENDITURES</b>	<u>106,169,446</u>	<u>106,169,446</u>	<u>96,698,611</u>	<u>464,274</u>	<u>9,006,561</u>
Other Financing Uses					
Transfers to Other Funds	3,269,363	3,269,363	3,269,363	0	0
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$109,438,809</u>	<u>\$109,438,809</u>	<u>99,967,974</u>	<u>\$464,274</u>	<u>\$9,006,561</u>
Change in fund balance			5,653,375		
Fund balance - beginning			<u>27,512,393</u>		
Fund balance - ending			<u>\$33,165,768</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

**JERICHO UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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%
July 1, 2010	\$0	\$ 63,218,162	\$ 63,218,162	\$0	\$50,736,898	125%

**JERICHO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND USE OF UNASSIGNED FUND BALANCE- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$108,918,239
Add: Prior year's encumbrances	<u>520,570</u>
Original Budget	109,438,809
Budget Revisions:	<u>0</u>
Final Budget	<u>\$109,438,809</u>
Next year's voter approved budget	<u>\$111,962,251</u>

**USE OF ASSIGNED - APPROPRIATED AND UNASSIGNED FUND BALANCE**

Unassigned Fund Balance-	
As of the beginning of the year	\$7,827,920
Less:	
Assigned fund balance used for the levy of taxes- Adopted Budget	<u>3,500,000</u>
Unassigned Fund Balance-	
As of the beginning of the year	<u>\$4,327,920</u>

JERICHO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
AS OF JUNE 30, 2011

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance June 30, 2011
			Prior Year's	Current Year			State Aid	Local Sources	
Springer Gym Roof	\$300,000	\$300,000	\$296,524		\$3,476	\$0	\$0	\$300,000	\$3,476
Pool Roof	375,000	375,000	346,455		28,545	0	0	375,000	28,545
Cantiague Roof	1,100,000	1,100,000	1,041,532	58,468	0	0	0	1,100,000	0
Middle School/High School Roof/Tennis Courts	5,200,000	5,200,000	5,200,000		0	0	1,043,097	4,156,903	0
Jackson Roof	1,550,000	1,550,000	93,905	806,295	649,800	0	0	1,550,000	649,800
Middle School/High School Track	980,000	980,000	0		980,000	0	0	980,000	980,000
Middle School/High School Tile	20,000	20,000	0		20,000	0	0	20,000	20,000
<b>TOTAL</b>	<b>\$9,525,000</b>	<b>\$9,525,000</b>	<b>\$6,978,416</b>	<b>\$864,763</b>	<b>\$1,681,821</b>	<b>\$0</b>	<b>\$1,043,097</b>	<b>\$8,481,903</b>	<b>\$1,681,821</b>



**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, 2011**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Property Taxes	A-1001	\$94,422,625	\$94,422,625
Non-Property Taxes	AT-1199	0	0
State Aid	AT-3999	4,086,496	4,086,496
Federal Aid	AT-4999	327,053	327,053
<b>TOTAL REVENUES</b>	AT-5999	\$105,621,349	\$105,621,349
<b>EXPENDITURES</b>			
General Support	AT-1999	\$10,059,564	\$10,059,564
Pupil Transportation	AT-5999	5,371,408	5,371,408
Debt Service-Principal	AT-9798.6	0	0
Debt Service-Interest	AT-9798.7	44,717	44,717
<b>TOTAL EXPENDITURES</b>	AT-9999	\$99,967,974	\$99,967,974

**JERICO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Capital assets, net</b>			\$32,206,547
<b>Add:</b>			
Unamortized bond issuance costs	\$95,558		
Short-term portion of deferred amounts on refunding	341		
Long-term portion of deferred amounts on refunding	2,413	98,312	
<b>Deduct:</b>			
Short-term portion of bonds payable	1,390,000		
Long-term portion of bonds payable	10,670,000		
Short-term portion of installment debt purchase	189,776		
Long-term portion of installment debt purchase	552,176	12,801,952	
<b>Investment in capital assets, net of related debt</b>			<u><u>\$19,502,907</u></u>

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

To the Board of Education  
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, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 15, 2011. 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

Management of Jericho Union Free School District is responsible for establishing and maintaining effective 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 15, 2011.

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 15, 2011

