

JERICOH UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2015

JERICHO UNION FREE SCHOOL DISTRICT
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VINCENT D. CULLEN, CPA
(1950 - 2013)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 15 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Union Free School District's basic financial statements. The other supplementary information on pages 55 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015 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* in considering the Jericho Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 21, 2015

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Jericho Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

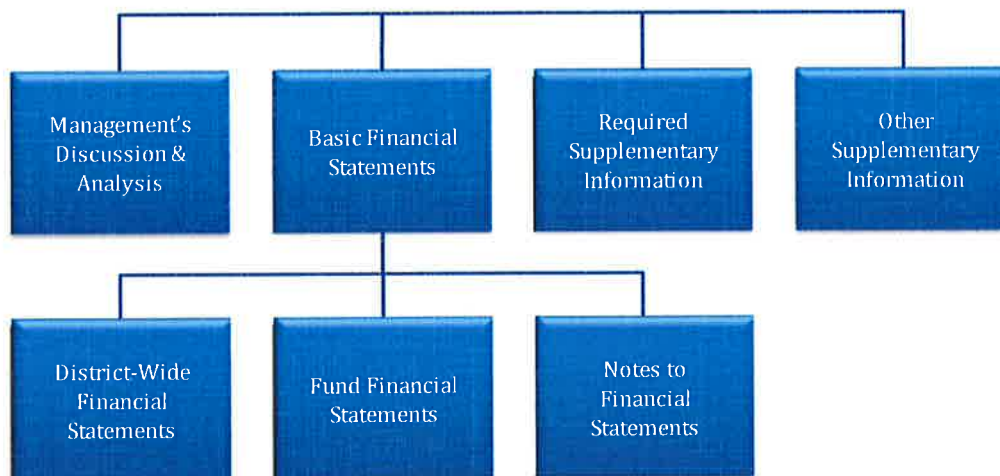
Key financial highlights for fiscal year 2015 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$15,414,359. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's total net position at June 30, 2014 was restated and increased by \$8,408,933 as a result of the required implementation of the new GASB accounting standards during the 2015 fiscal year. These new GASB accounting standards have no impact on the governmental funds financial statements.
- The District received \$967,005 in operating grants to support instructional programs.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$102,954,231. Of this amount, \$4,660,997 was offset by program charges for services and operating grants. General revenues of \$113,707,593 amount to 96.1% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$7,733,027. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- The District's 2014-15 property tax levy of \$106,811,992 was the same as the 2013-14 tax levy. The District's 2015-16 property tax levy of \$108,531,665 is a 1.61% increase over the 2014-15 tax levy, which is at the District's property tax cap of 1.61%.
- On May 19, 2015, the proposed 2015-16 budget in the amount of \$121,185,238, was authorized by 81% of the District's voters.
- On May 19, 2015, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law Section 3651, to establish a capital reserve fund known as the "Facilities Improvement Program – Jericho Public Schools II" for the purpose of specified improvements and upgrades throughout the District. The maximum amount of the capital reserve fund shall be \$10 million, plus investment income, for a term of 10 years. The funds are to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by General Municipal and Education Law including a sum not to exceed an annual amount of \$10 million beginning with the 2014-15 year. The District has funded \$6,000,000 into the capital reserve as of June 30, 2015.
- With numerous National Merit awards, Advanced Placement Scholars, School of Distinction awards, Intel/Siemens finalists and semi-finalists, 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.

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

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

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

B. Fund Financial Statements

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

JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$15,414,359 between fiscal year 2015 and 2014. A summary of the District's Statements of Net Position follows. The June 30, 2014 net position has been increased by \$8,408,933 resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 82,286,690	\$ 74,206,025	\$ 8,080,665	10.89 %
Capital Assets, Net	31,653,149	31,281,811	371,338	1.19 %
Net Pension Asset -				
Proportionate Share	<u>34,898,485</u>	<u>2,071,994</u>	<u>32,826,491</u>	1584.29 %
Total Assets	<u>148,838,324</u>	<u>107,559,830</u>	<u>41,278,494</u>	38.38 %
Deferred Outflows of Resources	<u>9,565,086</u>	<u>8,355,766</u>	<u>1,209,320</u>	14.47 %
Current and Other Liabilities	12,043,214	11,292,069	751,145	6.65 %
Long-Term Liabilities	25,077,327	27,152,212	(2,074,885)	(7.64)%
Net Other Postemployment				
Benefits Obligation	36,548,933	31,591,051	4,957,882	15.69 %
Net Pension Liability -				
Proportionate Share	<u>1,507,956</u>	<u>2,017,095</u>	<u>(509,139)</u>	(25.24)%
Total Liabilities	<u>75,177,430</u>	<u>72,052,427</u>	<u>3,125,003</u>	4.34 %
Deferred Inflows of Resources	<u>23,948,452</u>	<u>23,948,452</u>	<u>23,948,452</u>	0.00 %
Net Position				
Net investment in capital assets	25,243,149	23,281,680	1,961,469	8.42 %
Restricted	52,203,809	44,882,810	7,320,999	16.31 %
Unrestricted (Deficit)	<u>(18,169,430)</u>	<u>(24,301,321)</u>	<u>6,131,891</u>	(25.23)%
Total Net Position	<u>\$ 59,277,528</u>	<u>\$ 43,863,169</u>	<u>\$ 15,414,359</u>	35.14 %

Current and other assets increased by \$8,080,665, as compared to the prior year. The increase is primarily related to an increase in cash.

Capital assets increased by \$371,338, as compared to the prior year. This increase is primarily due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$32,826,491, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2014, the measurement date.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities increased by \$751,145, as compared to the prior year. This increase is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at an increased contribution rate.

Long-term liabilities decreased by \$2,074,885, as compared to the prior year. This decrease is primarily the result of a decrease in compensated absences liability and the repayment of the current maturity of the bond indebtedness.

JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net other postemployment benefits (OPEB) obligation increased by \$4,957,882, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Benefits", provides additional information.

Net pension liability – proportionate share decreased by \$509,139 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at March 31, 2015, the measurement date.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

	<u>Increase (Decrease)</u>
Capital asset additions - total	\$ 1,693,136
Principal debt reduction of construction bonds	1,435,000
Principal debt reduction of installment purchase debt	155,132
Depreciation expense	<u>(1,321,799)</u>
	<u>\$ 1,961,469</u>

The restricted amount of \$52,203,809 relates to the District's reserves. This number increased over the prior year by \$7,320,999 principally due to the establishment of a second capital reserve and funding of the reserve in the amount of \$6,000,000, and funding of existing reserves in the amount of \$3,085,735. The District appropriated \$1,892,053 from the reserves to fund current year expenditures.

The unrestricted (deficit) amount of \$(18,169,430) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$6,131,891, primarily as a result of the inclusion of the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows offset by an unfunded addition to the OPEB liability.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2015 and 2014 is as follows:

JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 3,504,043	\$ 3,005,504	\$ 498,539	16.59 %
Operating Grants	1,156,954	1,081,068	75,886	7.02 %
General Revenues				
Property Taxes and STAR	106,811,992	106,811,992	-	0.00 %
State Sources	4,936,355	4,056,694	879,661	21.68 %
Other	1,959,246	1,474,013	485,233	32.92 %
Total Revenues	<u>118,368,590</u>	<u>116,429,271</u>	<u>1,939,319</u>	1.67 %
Expenses				
General Support	11,394,496	11,575,825	(181,329)	(1.57)%
Instruction	84,071,458	90,155,195	(6,083,737)	(6.75)%
Pupil Transportation	5,378,594	5,753,826	(375,232)	(6.52)%
Community Service	94,618	92,731	1,887	2.03 %
Debt Service - Interest	378,888	465,499	(86,611)	(18.61)%
Food Service Program	1,636,177	1,361,189	274,988	20.20 %
Total Expenses	<u>102,954,231</u>	<u>109,404,265</u>	<u>(6,450,034)</u>	(5.90)%
Increase in Net Position	<u>\$ 15,414,359</u>	<u>\$ 7,025,006</u>	<u>\$ 8,389,353</u>	119.42 %

The District's net position increased by \$15,414,359 and \$7,025,006 for the years ended June 30, 2015 and 2014, respectively.

The District's revenues increased by \$1,939,319 or 1.67%. The major factors that contributed to the increase were:

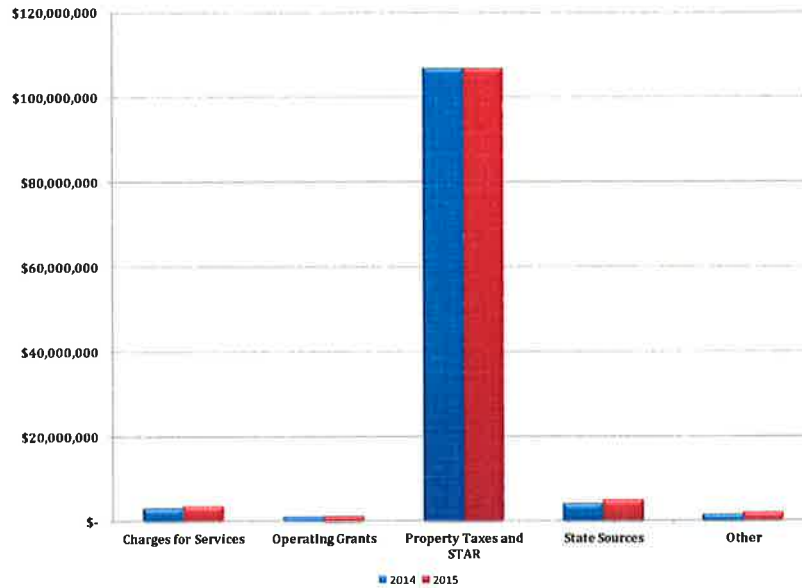
- Charges for services increased over prior year.
- The District received more state aid than the prior year.

The District's expenses for the year decreased by \$6,450,034 or 5.90%. The major contributing factor to this decrease was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses \$10,598,230. If not for the required implementation of GASB 68 and 71, expenses would have increased due to additional investments in instruction and higher costs in employee benefits. The 2014 summary of changes in net position was not restated as the changes from 2013 were not available.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 90.2% and 91.7% of the total for the years 2015 and 2014, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 81.6% and 82.4% of the total for the years 2015 and 2014, respectively).

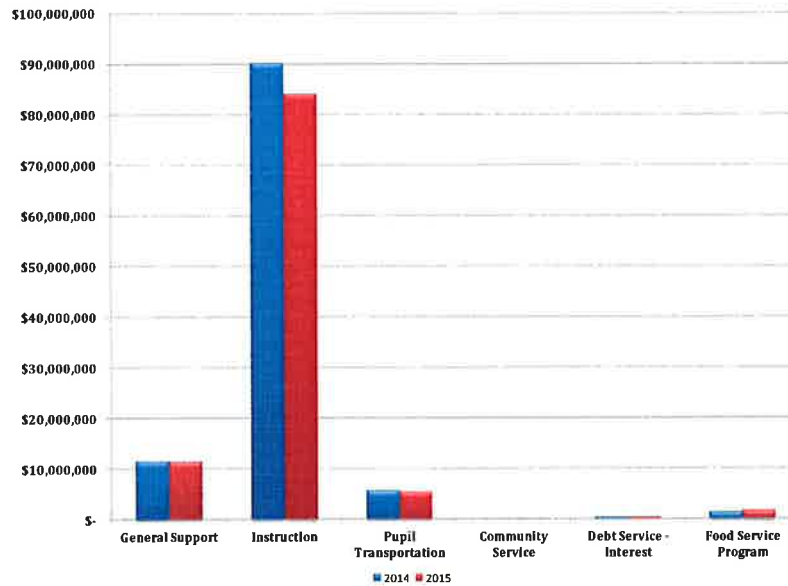
**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2014	2.6%	0.9%	91.7%	3.5%	1.3%
2015	3.0%	1.0%	90.2%	4.2%	1.6%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2014	10.6%	82.4%	5.3%	0.1%	0.4%	1.2%
2015	11.1%	81.6%	5.2%	0.1%	0.4%	1.6%

JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$69,041,569 which is an increase of \$6,376,035 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2015	2014	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance	\$ 251,172	\$ 250,958	\$ 214
Retirement contribution	17,423,728	17,967,326	(543,598)
Employee benefit accrued liability	17,430,379	17,183,396	246,983
Capital	16,042,622	8,425,769	7,616,853
Assigned:			
Appropriated fund balance	5,200,000	5,600,000	(400,000)
Unappropriated fund balance	1,223,221	475,163	748,058
Unassigned: Fund balance	4,847,410	4,782,893	64,517
	<u>62,418,532</u>	<u>54,685,505</u>	<u>7,733,027</u>
School Lunch Fund			
Nonspendable: Inventory	48,707	58,454	(9,747)
Assigned: Unappropriated fund balance	279,368	379,568	(100,200)
	<u>328,075</u>	<u>438,022</u>	<u>(109,947)</u>
Debt Service Fund			
Restricted: Debt service	1,055,908	1,055,361	547
Capital Projects Fund			
Assigned: Unappropriated fund balance	5,239,054	6,486,646	(1,247,592)
Total Fund Balance	<u>\$ 69,041,569</u>	<u>\$ 62,665,534</u>	<u>\$ 6,376,035</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$7,733,027. This resulted from revenues in excess of expenditures. During 2014-15, the District appropriated from the retirement contribution reserve and the employee benefit accrued liability reserve for expenditures. The District replenished the employee benefit accrued liability reserve and funded the 2013 and 2015 capital reserves.

The District expects to appropriate \$503,573 from the retirement contribution reserve to help fund the 2015-16 budget.

B. School Lunch Fund

The school lunch fund - fund balance decreased by \$109,947 as compared to the prior year. This decrease is primarily attributable to a decrease in sales and an increase in salaries.

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$547, as a result of interest earnings.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$1,247,592, due to expenditures incurred during the year on capital projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-15 Budget

The District's general fund adopted budget for the year ended June 30, 2015 was \$119,572,384. This amount was increased by encumbrances carried forward from the prior year in the amount of \$475,164 and budget revisions totaling of \$1,424,937 for a total final budget of \$121,472,485.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was \$106,811,992 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 4,782,893
Revenues Over Budget	2,534,051
Expenditures and Encumbrances Under Budget	11,942,972
Allocation to Reserves	(9,212,506)
Appropriated for the 2015-16 Budget	<u>(5,200,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,847,410</u></u>

Opening, Unassigned Fund Balance

The \$4,782,893 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was 4% of the District's 2014-15 approved operating budget of \$119,572,384. It is the maximum unassigned fund balance permitted by law.

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Revenues Over Budget

The 2014-15 final budget for revenues was \$113,505,268. Actual revenues received for the year were \$116,039,319. The excess of actual revenue over estimated or budgeted revenue was \$2,534,051. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Expenditures and Encumbrances Under Budget

The 2014-15 final budget for expenditures, including prior year open encumbrances as of June 30, 2014, were \$121,472,485. Actual expenditures as of June 30, 2015 were \$108,306,292 and outstanding encumbrances were \$1,223,221. Combined, the expenditures plus encumbrances for 2014-15 were \$109,529,513. The final budget was under expended by \$11,942,972. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$(9,212,506) shown in the above table is made up of the following transfers: \$1,502,646 to the employee benefit accrued liability reserve; \$1,583,089 to the existing capital reserve; and \$6,000,000 to the new capital reserve, as authorized by the voters on the May 19, 2015 ballot. Additionally, interest earnings of \$126,771 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$5,200,000 of its available June 30, 2015 unassigned fund balance to partially fund its 2015-16 approved operating budget. As such, the June 30, 2015 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2015 was \$4,847,410. This amount equals 4.0% of the 2015-16 budget and is at the statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2015, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$1,693,136 less depreciation of \$1,321,799 recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014 is as follows:

JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2015	2014	Increase (Decrease)
Land	\$ 357,356	\$ 357,356	\$ -
Construction in progress	2,198,795	894,651	1,304,144
Buildings and improvements	28,228,690	29,029,609	(800,919)
Furniture and equipment	868,308	1,000,196	(131,888)
	<u>\$ 31,653,149</u>	<u>\$ 31,281,812</u>	<u>\$ 371,337</u>
Capital assets, net			

The District will continue to make significant capital expenditures funded by voter approved capital reserves for capital improvements to District facilities.

B. Debt Administration

At June 30, 2015, the District had total bonds payable of \$6,410,000. The bonds were issued in 2007 to advance refund bonds that were originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2015. A summary of the outstanding debt at June 30, 2015 and 2014 is as follows:

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
3/2007	3.48-5.00%	<u>\$ 6,410,000</u>	<u>\$ 7,845,000</u>	<u>\$ (1,435,000)</u>

Included in the District's long-term liabilities are the estimated amounts due for compensated absences and net other postemployment benefits obligation. The compensated absence liability of \$18,667,327 is based on employment contracts. The net other postemployment benefits obligation is based on an actuarially determined amount in accordance with GASB Statement No. 45 in the amount of \$36,548,933.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2015 are approximately 1.26% of the District's debt limit.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 19, 2015, for the year ending June 30, 2016, is \$121,185,238. This is an increase of \$1,612,854 or 1.35% over the previous year's budget. The increase is principally in the instructional program (\$2,254,639), offset by a decrease in employee benefits (\$938,526) area of the budget.

The District budgeted revenues other than property taxes at a \$350,000 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid, charges for services, PILOTs, and interest earnings. The District has elected to appropriate \$503,573 from the retirement contribution reserve towards the next year's budget, a decrease of \$56,819 from the prior year. Additionally, the assigned, appropriated fund balance applied to the June 30, 2016 budget in the amount of \$5,200,000 is a \$400,000 decrease from the previous year. A property tax increase of 1.61% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Future Budgets

Future budgets will be affected by rising costs of operations such as an increase in the health insurance premiums and potential future costs with the Affordable Care Act.

The Teachers' Retirement System adopted an employer contribution rate of 13.26% applicable to the 2015-16 fiscal year salaries. This is a 24.4% decrease from the employer contribution rate of 17.53% applicable to 2014-15 fiscal year salaries. The Employees' Retirement System adopted employer contribution rates applicable to covered salaries for the plan year ending March 31, 2016 that reflect a decrease of approximately 7% from the prior year, depending on an employee's tier.

The property tax cap (with a potential near zero cap for 2016-17 due to extremely low CPI), and uncertainty in state aid and federal funds may impact the District's future budgets. Unanticipated enrollment spikes could also impact future budgets.

On May 21, 2013, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law Section 3651, to establish a capital reserve fund known as the "Facilities Improvement Program – Jericho Public Schools" for the purpose of specified improvements and upgrades throughout the District. The maximum amount of the capital reserve fund shall be \$10 million, plus investment income, for a term of 10 years. The funds are to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by General Municipal and Education Law including a sum not to exceed an annual amount of \$5 million beginning with the 2012-13 year. The District has fully funded \$10 million into the Capital Reserve as of June 30, 2015 and has accrued \$42,622 in interest.

On May 19, 2015, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law section 3651, to establish a capital reserve fund known as the "Facilities Improvement Program – Jericho Public Schools II" for the purpose of specified improvements and upgrades throughout the District. The maximum amount of the capital reserve fund shall be \$10 million, plus investment income, for a term of 10 years. The funds are to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by General Municipal and Education Law including a sum not to exceed an annual amount of \$10 million beginning with the 2014-15 year. The District has funded \$6,000,000 into the capital reserve as of June 30, 2015.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2015-16 is 1.69%. The District's 2015-16 property tax increase of 1.61% was less than the tax cap and did not require an override vote.

D. Property Tax Freeze

Last year, New York State enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings

JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

for taxpayers. The law was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant. The District was tax cap compliant in both years and participated in the Government Efficiency Plan in year two.

8. CONTACTING THE DISTRICT

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

Mr. Victor Manuel
Assistant Superintendent for Business Affairs
Jericho Union Free School District
99 Cedar Swamp Road
Jericho, New York 11753-1202

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

ASSETS

Cash	
Unrestricted	\$ 24,524,320
Restricted	52,203,809
Receivables	
Accounts receivable	7,728
Taxes receivable	2,172,891
Due from other funds	297,201
Due from state and federal	1,790,524
Due from other governments	1,241,510
Inventory	48,707
Capital assets:	
Not being depreciated	2,556,151
Being depreciated, net of accumulated depreciation	29,096,998
Net pension asset - proportionate share	<u>34,898,485</u>
 Total Assets	 <u>148,838,324</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>9,565,086</u>
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LIABILITIES

Payables	
Accounts payable	2,076,825
Accrued liabilities	427,123
Due to other governments	36,262
Due to teachers' retirement system	8,594,516
Due to employees' retirement system	847,809
Unearned credits	
Collections in advance	60,679
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,420,000
Compensated absences payable	700,000
Due and payable after one year	
Bonds payable	4,990,000
Compensated absences payable	17,967,327
Net other postemployment benefits obligation	36,548,933
Net pension liability - proportionate share	<u>1,507,956</u>
 Total Liabilities	 <u>75,177,430</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>23,948,452</u>
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NET POSITION

Net investment in capital assets	<u>25,243,149</u>
 Restricted:	
Unemployment insurance	251,172
Retirement contribution	17,423,728
Employee benefit accrued liability	17,430,379
Capital	16,042,622
Debt service	<u>1,055,908</u>
	<u>52,203,809</u>
 Unrestricted (deficit)	 <u>(18,169,430)</u>
 Total Net Position	 <u>\$ 59,277,528</u>

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2015

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 11,394,496	\$ 7,125	\$	\$ (11,387,371)
Instruction	84,071,458	2,581,133	967,005	(80,523,320)
Pupil transportation	5,378,594			(5,378,594)
Community service	94,618			(94,618)
Debt service - interest	378,888			(378,888)
Food service program	<u>1,636,177</u>	<u>915,785</u>	<u>189,949</u>	<u>(530,443)</u>
Total Functions and Programs	<u>\$ 102,954,231</u>	<u>\$ 3,504,043</u>	<u>\$ 1,156,954</u>	<u>(98,293,234)</u>
GENERAL REVENUES				
Real property taxes				103,110,530
Other tax items				4,266,714
Use of money and property				765,379
Sale of property and compensation for loss				9,721
Miscellaneous				577,029
State sources				4,936,355
Medicaid reimbursement				<u>41,865</u>
Total General Revenues				<u>113,707,593</u>
Change in Net Position				15,414,359
Total Net Position - Beginning of Year, as Restated				<u>43,863,169</u>
Total Net Position - End of Year				<u>\$ 59,277,528</u>

JERICOHO UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 17,730,588	\$ 1,153,449	\$ 439,199	\$	\$ 5,201,084	\$ 24,524,320
Restricted	51,147,901			1,055,908		52,203,809
Receivables						
Accounts receivable	4,816		2,912			7,728
Taxes receivable	2,172,891					2,172,891
Due from other funds	2,075,489				37,970	2,113,459
Due from state and federal	1,193,631	586,476	10,417			1,790,524
Due from other governments	1,241,510					1,241,510
Inventory			48,707			48,707
Total Assets	<u>\$ 75,566,826</u>	<u>\$ 1,739,925</u>	<u>\$ 501,235</u>	<u>\$ 1,055,908</u>	<u>\$ 5,239,054</u>	<u>\$ 84,102,948</u>
LIABILITIES						
Payables						
Accounts payable	\$ 2,048,175	\$ 17,130	\$ 11,520	\$	\$	\$ 2,076,825
Accrued liabilities	298,221		7,219			305,440
Due to other funds		1,703,344	112,914			1,816,258
Due to other governments	35,983		279			36,262
Due to teachers' retirement system	8,594,516					8,594,516
Due to employees' retirement system	847,809					847,809
Unearned credits						
Collections in advance		19,451	41,228			60,679
Total Liabilities	<u>11,824,704</u>	<u>1,739,925</u>	<u>173,160</u>	<u>-</u>	<u>-</u>	<u>13,737,789</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>1,323,590</u>					<u>1,323,590</u>
FUND BALANCES						
Nonspendable: Inventory			48,707			48,707
Restricted:						
Unemployment insurance	251,172					251,172
Retirement contribution	17,423,728					17,423,728
Employee benefit accrued liability	17,430,379					17,430,379
Capital	16,042,622					16,042,622
Debt service				1,055,908		1,055,908
	<u>51,147,901</u>			<u>1,055,908</u>		<u>52,203,809</u>
Assigned:						
Appropriated fund balance	5,200,000					5,200,000
Unappropriated fund balance	1,223,221		279,368		5,239,054	6,741,643
	<u>6,423,221</u>		<u>279,368</u>		<u>5,239,054</u>	<u>11,941,643</u>
Unassigned fund balance	<u>4,847,410</u>					<u>4,847,410</u>
Total Fund Balances	<u>62,418,532</u>	<u>-</u>	<u>328,075</u>	<u>1,055,908</u>	<u>5,239,054</u>	<u>69,041,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 75,566,826</u>	<u>\$ 1,739,925</u>	<u>\$ 501,235</u>	<u>\$ 1,055,908</u>	<u>\$ 5,239,054</u>	<u>\$ 84,102,948</u>

JERICO UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances		\$ 69,041,569
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		1,323,590
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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 Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 54,992,249	
Accumulated depreciation	<u>(23,339,100)</u>	
		31,653,149

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

Net pension asset - teachers' retirement system	34,898,485	
Deferred outflows of resources	9,565,086	
Net pension liability - employees' retirement system	(1,507,956)	
Deferred inflows of resources	<u>(23,948,452)</u>	
		19,007,163

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

Accrued interest on bonds payable	(121,683)	
Bonds payable	(6,410,000)	
Compensated absences payable	(18,667,327)	
Net other postemployment benefits obligation	<u>(36,548,933)</u>	
		<u>(61,747,943)</u>

Total Net Position		\$ <u>59,277,528</u>
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JERICHO UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 103,110,530	\$	\$	\$	\$	\$ 103,110,530
Other tax items	4,266,714					4,266,714
Charges for services	2,283,963					2,283,963
Use of money and property	764,823		9	547		765,379
Forfeitures	7,125					7,125
Sale of property and compensation for loss	9,721					9,721
Miscellaneous	577,029	3,412				580,441
Interfund revenue	18,339					18,339
State sources	4,309,935	228,166	12,543			4,550,644
Medicaid reimbursement	41,865					41,865
Federal sources		735,427	103,473			838,900
Surplus food			73,933			73,933
Sales - school lunch			915,785			915,785
Total Revenues	115,390,044	967,005	1,105,743	547	-	117,463,339
EXPENDITURES						
General support	9,880,639					9,880,639
Instruction	65,028,386	1,254,466				66,282,852
Pupil transportation	5,106,315	43,284				5,149,599
Community service	73,864					73,864
Employee benefits	24,919,291		381,252			25,300,543
Debt service						
Principal				1,435,000		1,435,000
Interest	79,139			327,913		407,052
Cost of sales			1,059,438			1,059,438
Capital outlay					1,498,317	1,498,317
Total Expenditures	105,087,634	1,297,750	1,440,690	1,762,913	1,498,317	111,087,304
Excess (Deficiency) of Revenues Over Expenditures	10,302,410	(330,745)	(334,947)	(1,762,366)	(1,498,317)	6,376,035
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	649,275	330,745	225,000	1,762,913	900,000	3,867,933
Operating transfers (out)	(3,218,658)				(649,275)	(3,867,933)
Total Other Financing Sources and Uses	(2,569,383)	330,745	225,000	1,762,913	250,725	-
Net Change in Fund Balances	7,733,027	-	(109,947)	547	(1,247,592)	6,376,035
Fund Balances - Beginning of Year	54,685,505		438,022	1,055,361	6,486,646	62,665,534
End of Year	\$ 62,418,532	\$ -	\$ 328,075	\$ 1,055,908	\$ 5,239,054	\$ 69,041,569

JERICHO UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2015

Net Change in Fund Balances \$ 6,376,035

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

Long-Term Revenue and Expense Differences

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

Change in unavailable revenue \$ 923,590

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

Decrease in compensated absences payable 484,753

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

Increase in net other postemployment benefits obligation (4,957,882) (3,549,539)

Capital Related Differences

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

Capital outlays 1,693,136
Depreciation expense (1,321,799) 371,337

Long-Term Debt Transactions Differences

Amortization of deferred charges on advance refunding of bonds does not affect the governmental funds, but is recorded in the Statement of Activities. (1,731)

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

Repayment of bond principal 1,435,000
Repayment of installment purchase debt 155,132

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2014 to June 30, 2015. 29,895 1,618,296

Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 9,737,510
Employees' retirement system 860,720

Change in Net Position of Governmental Activities \$ 15,414,359

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2015

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash	\$ 935,503	\$ 96,212
Due from other funds	<u>1,500</u>	
Total Assets	<u>\$ 937,003</u>	<u>96,212</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 146,800	
Due to other funds	297,201	1,500
Other liabilities	<u>493,002</u>	
Total Liabilities	<u>\$ 937,003</u>	<u>1,500</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 94,712</u>

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2015

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 28,819
Investment earnings	
Interest	<u>90</u>
Total Additions	<u>28,909</u>
DEDUCTIONS	
Scholarships and awards	<u>35,550</u>
Change in Net Position	(6,641)
Net Position - Beginning of Year	<u>101,353</u>
Net Position - End of Year	<u><u>\$ 94,712</u></u>

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital

JERICOHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than August 15th and become a lien on October 1st and April 1st. Taxes are collected by the towns of Oyster Bay and North Hempstead and remitted to the District from October 1st to November 10th, and April 1st through May 10th.

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

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

H. Use of Estimates

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Inventory

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method.

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

Under the consumption method, a current asset for the inventory is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	50 years
Furniture and equipment	5,000	5-20 years
Land improvements	15,000	20 years
Vehicles	5,000	8 years

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

N. Collections in Advance

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

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, including the net difference between projected and actual earnings on pension plan investments.

P. Vested Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Q. Other Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

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

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory.

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund.

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

JERICOHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the District's contributions to the pension systems subsequent to the measurement date.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

Wifi upgrades funded by legislative grants	\$ 75,000
Instructional supplies funded by PTA donations	3,276
Education technology equipment and furniture funded by anonymous donations	15,000
Employee benefit accrued liability reserve appropriation	<u>1,331,661</u>
	<u>\$ 1,424,937</u>

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$2,306,258 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$531,034. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2015 consisted of:

General Fund	
New York State - excess cost aid	\$ 929,414
BOCES aid	264,217
	<u>1,193,631</u>
Special Aid Fund	
Federal and state grants	586,476
School Lunch Fund	
Federal and state food service program reimbursements	<u>10,417</u>
	<u>\$ 1,790,524</u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015 consisted of:

General Fund	
Tuition receivable	\$ 498,267
Health services	118,828
Split line property taxes	505,659
Payment in lieu of taxes	43,375
Nassau County drug and alcohol grant	<u>75,381</u>
	<u>\$ 1,241,510</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,075,489	\$	\$ 649,275	\$ 3,218,658
Special Aid Fund		1,703,344	330,745	
School Lunch Fund		112,914	225,000	
Debt Service Fund			1,762,913	
Capital Projects Fund	<u>37,970</u>		<u>900,000</u>	<u>649,275</u>
Total Governmental Funds	2,113,459	1,816,258	3,867,933	3,867,933
Fiduciary Funds	<u>1,500</u>	<u>298,701</u>		
Total	<u>\$ 2,114,959</u>	<u>\$ 2,114,959</u>	<u>\$ 3,867,933</u>	<u>\$ 3,867,933</u>

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, and the debt service fund and capital projects fund in accordance with the general fund budget.

The transfer to the school lunch fund was to provide support for the program per the approved budget. The transfer from the capital projects fund to the general fund was to return unexpended funds from completed capital projects.

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 357,356	\$	\$	\$ 357,356
Construction in progress	894,651	1,304,144		2,198,795
Total capital assets not being depreciated	<u>1,252,007</u>	<u>1,304,144</u>	<u>-</u>	<u>2,556,151</u>
Capital assets being depreciated				
Buildings and improvements	49,451,190	199,571		49,650,761
Furniture and equipment	3,683,338	189,421	(1,087,422)	2,785,337
Total capital assets being depreciated	<u>53,134,528</u>	<u>388,992</u>	<u>(1,087,422)</u>	<u>52,436,098</u>
Less accumulated depreciation for:				
Buildings and improvements	20,421,581	1,000,490		21,422,071
Furniture and equipment	2,683,142	321,309	(1,087,422)	1,917,029
Total accumulated depreciation	<u>23,104,723</u>	<u>1,321,799</u>	<u>(1,087,422)</u>	<u>23,339,100</u>
Total capital assets, being depreciated, net	<u>30,029,805</u>	<u>(932,807)</u>	<u>-</u>	<u>29,096,998</u>
Capital assets, net	<u>\$ 31,281,812</u>	<u>\$ 371,337</u>	<u>\$ -</u>	<u>\$ 31,653,149</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 148,948
Instruction	1,101,261
Pupil transportation	58,480
Food service program	<u>13,110</u>
Total depreciation expense	<u>\$ 1,321,799</u>

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2015</u>
TAN	6/19/2015	1.0%	<u>\$</u>	<u>\$ 11,000,000</u>	<u>\$ (11,000,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$79,139. The District did receive an issuance premium in the amount of \$67,100, which was recorded as miscellaneous revenues.

12. LONG-TERM LIABILITIES

A. Changes

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

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 7,845,000	\$	\$ (1,435,000)	\$ 6,410,000	\$ 1,420,000
Installment purchase debt	155,132		(155,132)		
Other long-term liabilities					
Compensated absences	19,152,080		(484,753)	18,667,327	700,000
	<u>\$27,152,212</u>	<u>\$</u>	<u>\$ (2,074,885)</u>	<u>\$25,077,327</u>	<u>\$ 2,120,000</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2015</u>
Advance refunding serial bond	3/2007	8/2019	3.48-5.00%	<u>\$ 6,410,000</u>

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,420,000	\$ 263,638	\$ 1,683,638
2017	1,430,000	203,956	1,633,956
2018	1,420,000	139,838	1,559,838
2019	1,405,000	71,875	1,476,875
2020	<u>735,000</u>	<u>18,375</u>	<u>753,375</u>
Total	<u>\$ 6,410,000</u>	<u>\$ 697,682</u>	<u>\$ 7,107,682</u>

C. Advance Refunding

In the district-wide statements, the District amortized the balance of deferred charges on the advance refunding as a component of interest expense in the amount of \$1,731.

D. Interest Expense

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

Interest paid	\$ 327,913
Less interest accrued in the prior year	(151,578)
Plus interest accrued in the current year	121,683
Plus amortization of deferred amounts on refunding	<u>1,731</u>
Total interest expense on long-term debt	<u>\$ 299,749</u>

13. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

The District's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Year	TRS	ERS
2015	\$ 8,383,830	\$ 2,238,549
2014	7,520,130	2,690,137
2013	5,459,091	2,635,354

The District contributions made to the systems were equal to 100% of the contributions required for each year.

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2014, for TRS and March 31, 2015 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Actuarial valuation date	June 30, 2013	April 1, 2014
Net pension asset/(liability)	\$ 34,898,485	\$ (1,507,956)
District's portion of the Plan's total net pension asset/(liability)	0.3132890%	0.0446373%

For the year ended June 30, 2015, the District recognized pension expense (credit) of \$(1,366,623) for TRS and \$1,371,588 for ERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 48,271	\$ 510,326	\$
Net difference between projected and actual earnings on pension plan investments		261,913	23,438,126	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	8,739	27,493		
District's contributions subsequent to the measurement date	<u>8,370,862</u>	<u>847,808</u>		
Total	<u>\$ 8,379,601</u>	<u>\$ 1,185,485</u>	<u>\$ 23,948,452</u>	<u>\$ -</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended	TRS	ERS
2016	\$ (5,917,856)	\$ 84,419
2017	(5,917,856)	84,419
2018	(5,917,856)	84,419
2019	(5,917,856)	84,420
2020	(58,324)	
Thereafter	(209,965)	
	<u>\$ (23,939,713)</u>	<u>\$ 337,677</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.0%	7.5%
Salary scale	4.01-10.91%	4.9%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2014		March 31, 2015
Asset type				
Domestic equity	37.0%	7.30%	38.0%	7.30%
International equity	18.0%	8.50%	13.0%	8.55%
Real estate	10.0%	5.00%	8.0%	8.25%
Alternative investments	7.0%	11.00%	19.0%	6.75-11.00%
Domestic fixed income securities	18.0%	1.50%		
Global fixed income securities	2.0%	1.40%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term		0.80%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.5% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.5% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.5% for ERS) or 1 percentage point higher (9.0% for TRS and 8.5% for ERS) than the current rate:

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
TRIS			
District's proportionate share of the net pension asset (liability)	\$ 752,809	\$ 34,898,485	\$ 63,995,344
ERS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	\$ (10,051,178)	\$ (1,507,956)	\$ 5,704,642

Pension Plan Fiduciary Net Position

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

	TRIS	ERS	Total
	<i>(Dollars in Thousands)</i>		
Measurement date	June 30, 2014	March 31, 2015	
Employers' total pension liability	\$ (97,015,707)	\$ (164,591,504)	\$ (261,607,211)
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension asset/(liability)	\$ 11,139,376	\$ (3,378,245)	\$ 7,761,131
Ratio of plan fiduciary net position to the employers' total pension liability	111.48%	97.95%	102.97%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employer and employee contributions for the fiscal year ended June 30, 2015, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$8,383,830 of employer contributions and \$210,686 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$847,809 of employer contributions. Employee contributions are remitted monthly.

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2015, totaled \$794,649 and \$3,302,677, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2015 totaled \$1,114,706.

15. POSTEMPLOYMENT BENEFITS

A. Plan Description

The District provides medical and Medicare part B reimbursement, and dental and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District assumes between 35% and 50% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2015, the District recognized a general fund expenditure of \$1,498,592 for insurance premiums for 229 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

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

JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual required contribution (ARC)	\$ 6,949,480
Interest on net OPEB obligation	1,263,642
Adjustment to ARC	<u>(1,756,648)</u>
Annual OPEB cost (expense)	6,456,474
Contributions made	<u>(1,498,592)</u>
 Increase in net OPEB obligation	 4,957,882
Net OPEB obligation - beginning of year	<u>31,591,051</u>
 Net OPEB obligation - end of year	 <u><u>\$ 36,548,933</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 6,456,474	23.2%	\$ 36,548,933
June 30, 2014	5,944,410	20.4%	31,591,051
June 30, 2013	6,620,454	17.7%	22,389,801

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$65,011,330 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,011,330. The covered payroll (annual payroll of active employees covered by the plan) was \$58,965,960, and the ratio of the UAAL to the covered payroll was 110%.

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

E. Actuarial Methods and Assumptions

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

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% as of June 30, 2022. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

16. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

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

17. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate \$503,573 from the retirement contribution reserve, which is reported in the June 30, 2015 restricted fund balances, to fund the budget for the year ending June 30, 2016.

18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$5,200,000 has been appropriated to partially fund the budget for the year ending June 30, 2016.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statements No. 68 and 71. The implementation of Statements No. 68 and 71 resulted in the reporting of an asset, deferred outflow of resources, and a liability related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. The District's net position has been restated as follows:

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Net position beginning of year, as previously stated	<u>\$ 35,454,236</u>
GASB Statements No. 68 and 71 implementation	
Beginning system asset - teachers' retirement system	2,071,994
Beginning system liability - employees' retirement system	(2,017,095)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>8,354,034</u>
	<u>8,408,933</u>
Net position beginning of year, as restated	<u><u>\$ 43,863,169</u></u>

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as assigned fund balance. At June 30, 2015, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 533,545
Instruction	<u>689,676</u>
	<u>1,223,221</u>
School Lunch Fund	
Food service program	<u>279,368</u>
Capital Projects Fund	
Capital projects	<u>2,925,295</u>
	<u><u>\$ 4,427,884</u></u>

B. Grants

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

C. Litigation

General

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

JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$57,476. In early 2015, the District entered into a new agreement with BOCES for the rental of copy machines. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 197,162
2017	190,728
2018	185,928
2019	<u>138,726</u>
	<u>\$ 712,544</u>

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 21, 2015, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

Issuance of TANs

The District is anticipating issuing Tax Anticipation Notes (TAN) in late September 2015 in an amount not to exceed \$10,000,000.

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 106,811,992	\$ 103,110,530	\$ 103,110,530	\$ -
Other tax items	560,000	4,261,462	4,266,714	5,252
Charges for services	1,438,000	1,438,000	2,283,963	845,963
Use of money and property	525,000	525,000	764,823	239,823
Forfeiture	5,000	5,000	7,125	2,125
Sale of property and compensation for loss			9,721	9,721
Miscellaneous	135,000	153,276	577,029	423,753
Interfund revenues	15,000	15,000	18,339	3,339
Total Local Sources	109,489,992	109,508,268	111,038,244	1,529,976
State Sources	3,900,000	3,975,000	4,309,935	334,935
Medicaid Reimbursement	22,000	22,000	41,865	19,865
Total Revenues	113,411,992	113,505,268	115,390,044	1,884,776
OTHER SOURCES				
Operating transfers in	-		649,275	649,275
Total Revenues and Other Sources	113,411,992	113,505,268	116,039,319	\$ 2,534,051
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	5,600,000	5,600,000		
Prior Year's Encumbrances	475,164	475,164		
Appropriated Reserves	560,392	1,892,053		
Total Appropriated Fund Balance	6,635,556	7,967,217		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 120,047,548	\$ 121,472,485		

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
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 100,000	\$ 90,000	\$ 72,450	\$	\$ 17,550
Central administration	490,793	490,793	486,690		4,103
Finance	1,209,856	1,209,856	1,026,545	23,100	160,211
Staff	863,633	863,633	721,123		142,510
Central services	7,999,027	8,095,027	6,788,607	510,445	795,975
Special items	900,000	900,000	785,224		114,776
Total General Support	11,563,309	11,649,309	9,880,639	533,545	1,235,125
Instruction					
Administration & improvement	4,715,690	4,770,247	4,594,687	800	174,760
Teaching - regular school	37,706,831	38,781,384	33,680,410	224,824	4,876,150
Programs for students with disabilities	19,415,516	19,443,843	18,171,752	64,310	1,207,781
Occupational education	150,000	150,000	57,260		92,740
Instructional media	3,446,504	3,729,004	3,276,083	387,280	65,641
Pupil services	5,583,031	5,551,031	5,248,194	12,462	290,375
Total Instruction	71,017,572	72,425,509	65,028,386	689,676	6,707,447
Pupil Transportation	6,280,414	6,184,414	5,106,315		1,078,099
Community Services	56,000	83,000	73,864		9,136
Employee Benefits	27,842,340	27,831,340	24,919,291		2,912,049
Debt Service: Interest	160,000	80,000	79,139		861
Total Expenditures	116,919,635	118,253,572	105,087,634	1,223,221	11,942,717
OTHER USES					
Operating transfers out	3,127,913	3,218,913	3,218,658		255
Total Expenditures and Other Uses	\$ 120,047,548	\$ 121,472,485	108,306,292	\$ 1,223,221	\$ 11,942,972
Net Change in Fund Balance			7,733,027		
Fund Balances - Beginning of Year			54,685,505		
Fund Balances - End of Year			\$ 62,418,532		

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.

JERICOHO UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2015

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 63,218,162	\$ 63,218,162	0%	\$ 50,736,898	124.6%
July 1, 2012	-	64,147,385	64,147,385	0%	51,832,532	123.8%
July 1, 2014	-	65,011,330	65,011,330	0%	58,965,690	110.3%

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2015

Teachers' Retirement System

	<u>2015</u>
District's proportion of the net pension asset	0.3132890%
District's proportionate share of the net pension asset	\$ 34,898,485
District's covered employee payroll	\$ 46,227,722
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	75.50 %
Plan fiduciary net position as a percentage of the total pension asset	111.48%

Employees' Retirement System

	<u>2015</u>
District's proportion of the net pension liability	0.0446373%
District's proportionate share of the net pension liability	\$ 1,507,956
District's covered employee payroll	\$ 12,825,571
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.76 %
Plan fiduciary net position as a percentage of the total pension liability	97.95%

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2015

Teachers' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 8,383,830	\$ 7,520,130	\$ 5,459,091	\$ 5,109,591	\$ 3,984,451	\$ 2,818,371	\$ 3,302,016	\$ 3,631,231	\$ 3,405,190	\$ 2,922,139
Contributions in relation to the contractually required contribution	8,383,830	7,520,130	5,459,091	5,109,591	3,984,451	2,818,371	3,302,016	3,631,231	3,405,190	2,922,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	47,825,613	46,227,722	46,107,185	45,990,914	46,223,333	45,531,039	43,276,750	41,594,859	39,595,230	36,664,230
Contributions as a percentage of covered employee payroll	18%	16%	12%	11%	9%	6%	8%	9%	9%	8%

Employees' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,238,549	\$ 2,690,137	\$ 2,635,354	\$ 1,813,703	\$ 1,518,861	\$ 972,349	\$ 839,486	\$ 1,103,421	\$ 845,021	\$ 1,099,180
Contributions in relation to the contractually required contribution	2,238,549	2,690,137	2,635,354	1,813,703	1,518,861	972,349	839,486	1,103,421	845,021	1,099,180
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	12,825,571	12,506,699	13,340,531	13,318,780	12,141,573	12,748,206	11,921,585	10,491,577	9,560,913	8,117,979
Contributions as a percentage of covered employee payroll	17%	22%	20%	14%	13%	8%	7%	11%	9%	14%

JERICO UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 119,572,384
Additions:	
Prior year's encumbrances	<u>475,164</u>
Original Budget	120,047,548
Budget revision	<u>1,424,937</u>
Final Budget	<u><u>\$ 121,472,485</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget	<u><u>\$ 121,185,238</u></u>
Maximum allowed (4% of 2015-16 budget)	<u><u>\$ 4,847,410</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 6,423,221
Unassigned fund balance	<u>4,847,410</u>
	\$ 11,270,631
Less:	
Appropriated fund balance	5,200,000
Encumbrances	<u>1,223,221</u>
Total adjustments	<u>6,423,221</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 4,847,410</u></u>
Actual Percentage	4.00%

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2015

PROJECT TITLE	Expenditures			Methods of Financing			Fund				
	Budget June 30, 2014	Budget June 30, 2015	Prior Years	Current Year	Total	Unexpended Balance		Proceeds of Obligations/ State Aid	Local Sources	Transfer out to General Fund	Total
Springer gym roof	\$ 300,000	\$ 300,000	\$ 296,524	\$	\$ 296,524	\$ 3,476	\$	\$ 300,000	\$	\$ 300,000	\$ 3,476
Pool roof	375,000	375,000	346,455		346,455	28,545		375,000		375,000	28,545
Jackson roof	1,550,000	1,035,205	1,035,205		1,035,205	-		1,550,205	(514,795)	1,035,205	-
Middle School/High School track	980,000	865,519	865,519		865,519	-		980,000	(114,481)	865,519	-
Middle School/High School tile	20,000				-	-		20,000	(20,000)	-	-
Robert Williams Elementary	1,000,000	1,000,000	544,215	74,787	619,002	380,998		1,000,000		1,000,000	380,998
Middle School/High School freight elevator/walk-in/boxes/generator	841,211	841,211	111,798	512,834	624,632	216,579		841,211		841,211	216,579
Cantague lighting/stair enclosures	223,967	225,761	39,055	186,706	225,761	-		225,761		225,761	-
Jackson lighting and gym floor	513,969	512,176	158,091	101,941	260,032	252,144		512,176		512,176	252,144
Seaman lighting/painting	320,853	320,853	41,492	98,966	140,458	180,395		320,853		320,853	180,395
Middle School/High School auditorium	3,500,000	3,500,000		191,550	191,550	3,308,450		3,500,000		3,500,000	3,308,450
District-wide security and technology upgrades	300,000	300,000		128,575	128,575	171,425		300,000		300,000	171,425
District-wide upgrades and replacements		900,000		202,958	202,958	697,042		900,000		900,000	697,042
Totals	\$ 9,925,000	\$ 10,175,725	\$ 3,438,354	\$ 1,498,317	\$ 4,936,671	\$ 5,239,054	\$ -	\$ 10,825,001	\$ (649,276)	\$ 10,175,725	\$ 5,239,054

JERICO UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2015

Capital assets, net	<u>\$ 31,653,149</u>
Short-term portion of bonds payable	1,420,000
Long-term portion of bonds payable	<u>4,990,000</u>
	<u>6,410,000</u>
Net Investment in Capital Assets	<u><u>\$ 25,243,149</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Jericho Union Free School District in a separate letter dated September 21, 2015.

Purpose of this Report

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

Cullen & Danowski, LLP

September 21, 2015

