

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

June 30, 2014

JERICOHO UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 17 and 52 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 required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 12, 2014 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 12, 2014

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the Jericho Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2014. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- On the District-Wide Financial Statements, revenues increased by 3.0% as a result of increased property taxes and charges for services offset by a decrease in state aid and operating grants.
- On the District-Wide Financial Statements, expenses increased by 1.2% as a result of increased instruction costs offset by a decrease in general support.
- On the Fund Financial Statements, unassigned fund balance of \$4,782,892 is limited by NYS Real Property Tax Law §1318 to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. As of June 30, 2014, the unassigned fund balance is 4.0% of the District's budget for the general fund for the ensuing fiscal year.
- On May 20, 2014, the residents of the District voted on and authorized the Board of Education to appropriate and expend \$3,800,000 from the general fund for the Jericho Middle/High School Auditorium Renovations and District Wide Security Upgrades. The \$3,800,000 transfer to Capital fund from the General Fund was recognized in the current year increasing the fund balance in the Capital Fund accordingly.
- During the year, the District abolished its Tax Certiorari Reserve Fund in the amount of \$5,571,280 and appropriated the remaining balance of \$146,044 from its Tax Reduction Reserve. (See Note 1)
- 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.
- On May 20, 2014, the proposed 2014-2015 budget in the amount of \$119,572,384, with a 0% tax levy increase, was authorized by 81% of the District's residents that voted.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

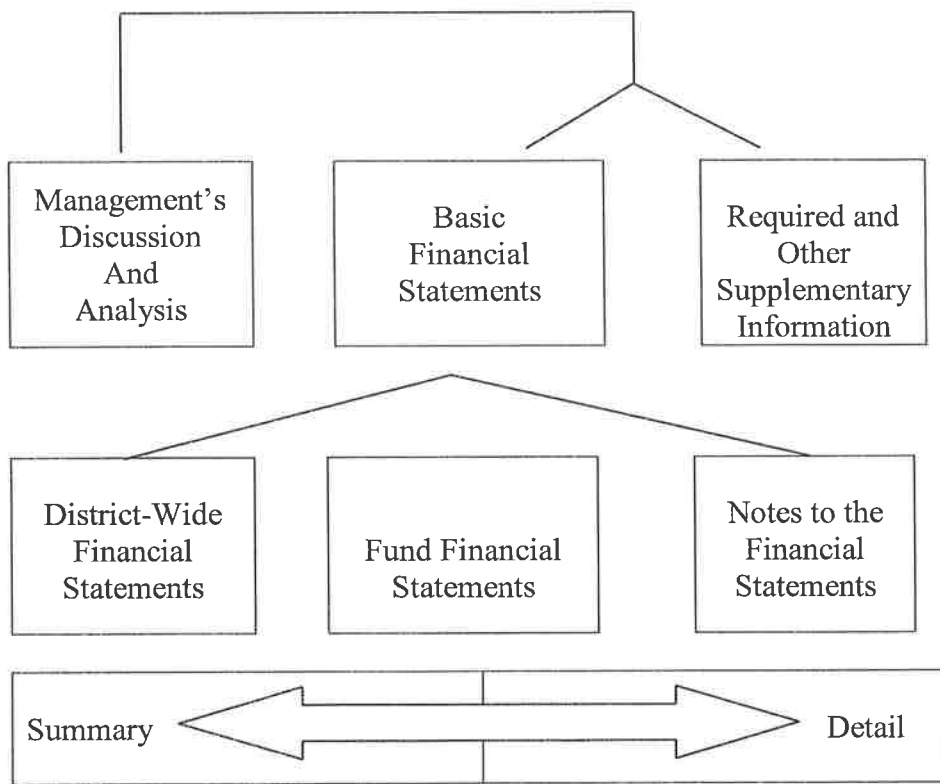
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**JERICOHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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



**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. District-Wide Financial Statements

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

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

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

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

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

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B. Fund Financial Statements

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

The District has two kinds of funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$7,025,006 in the fiscal year ended June 30, 2014 as detailed in Table A-3.

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Percentage Change
Current assets and other assets	\$ 74,206,025	\$ 60,917,491	\$ 13,288,534	22%
Capital assets, net	31,281,811	31,746,721	(464,910)	-1%
Total Assets	105,487,836	92,664,212	12,823,624	14%
Deferred outflow of resources	1,732	2,072	(340)	-16%
Total assets and deferred outflows of resources	105,489,568	92,666,284	12,823,284	14%
Current liabilities	11,292,069	8,548,348	2,743,721	32%
Long-term liabilities	58,743,263	55,688,706	3,054,557	5%
Total Liabilities	70,035,332	64,237,054	5,798,278	9%
Net Position				
Net investment in capital assets	23,281,679	22,147,171	1,134,508	5%
Restricted	44,882,810	40,391,960	4,490,850	11%
Unrestricted	(32,710,253)	(34,109,901)	1,399,648	4%
Total Net Position	\$ 35,454,236	\$ 28,429,230	\$ 7,025,006	25%

Current assets and other assets increased \$13,288,534 from 2013 to 2014 primarily due to an increase in cash as a result of the District's efforts to contain expenditures during the year. Capital assets (net of depreciation) decreased by \$464,910. This was attributable to current year depreciation offset by capital asset additions. Current liabilities increased by \$2,743,721. This was attributable to increases in due to teachers' retirement system due to an increase in rates, and increases in accounts payable. Long-term liabilities increased by \$3,054,557 primarily due to an increase in net obligation of other postemployment benefits offset by payments on bonds and installment debt. Net position overall increased by \$7,025,006.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery and equipment, net of depreciation and related debt. This number increased from the prior year by \$1,134,508 due to additional capital spending for building improvements and equipment, and principal payments on debt, offset by depreciation.

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2014 and 2013 is as follows:

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

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$3,005,504	\$2,460,450	\$545,054	22%
Operating Grants	1,070,008	1,501,606	(431,598)	-29%
General Revenues				
Property Taxes (including Other tax items)	107,117,830	103,762,606	\$3,355,224	3%
State Formula Aid	4,056,694	4,142,454	(\$85,760)	-2%
Use of Money and Property	670,766	669,378	\$1,388	0%
Other	508,469	472,678	\$35,791	8%
Total Revenues	\$116,429,271	\$113,009,172	\$3,420,099	3%
Expenses				
General Support	\$11,469,665	\$11,796,285	(\$326,620)	-3%
Instruction	90,298,295	88,661,153	1,637,142	2%
Pupil Transportation	5,716,885	5,554,457	162,428	3%
Community Service	92,731	80,279	12,452	16%
Debt Service - interest	465,499	601,523	(136,024)	-23%
Food Service Program	1,361,190	1,360,677	513	0%
Total Expenses	\$109,404,265	\$108,054,374	\$1,349,891	1%
Increase in Net Position	\$7,025,006	\$4,954,798	\$2,070,208	

The District's fiscal year 2014 revenues totaled \$116,429,271. (See Table A-4). Property taxes (including other tax items) and state formula aid accounted for most of the District's revenue amounting to 92% and 4% respectively. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The cost of all programs and services totaled \$109,404,265 for fiscal year 2014. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 88% of District expenses. (See Table A-6). The District's general support activities accounted for 10% of total costs.

**JERICOHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table A-5: Revenues for Fiscal Year 2014 (See Table A-4)

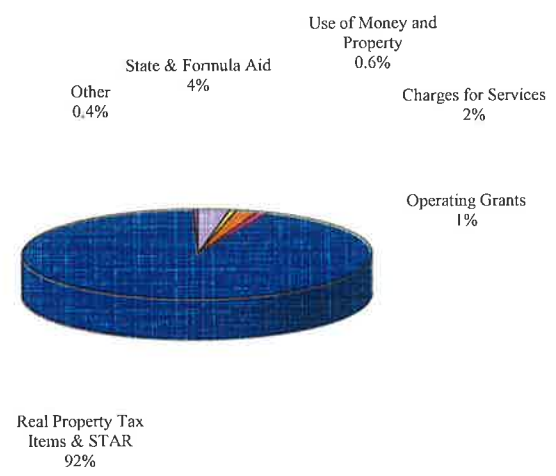
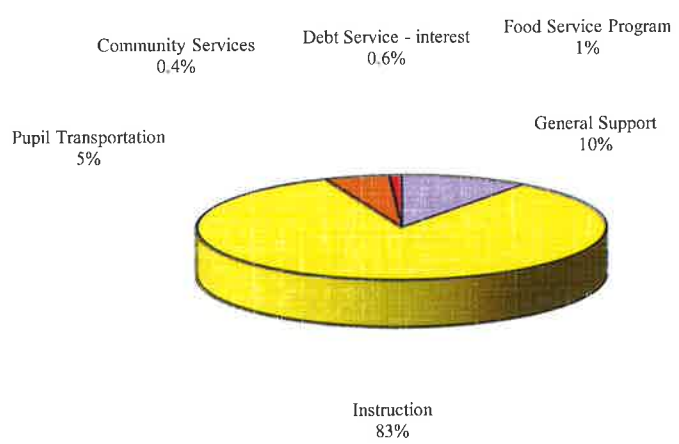


Table A-6: Expenses for Fiscal Year 2014 (See Tables A-4 and A-7)



**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$116,429,271 while total expenses equaled \$109,404,265. The overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strong tax base;
- Strategic use of services from the Nassau BOCES;
- Improved curriculum and community support.

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2014	2013	2014	2013
General Support	\$11,469,665	\$11,796,285	\$11,469,665	\$11,796,285
Instruction	90,298,295	88,661,153	87,390,697	85,862,603
Pupil Transportation	5,716,885	5,554,457	5,716,885	5,554,457
Community Service	92,731	80,279	92,731	80,279
Debt Service- Interest	465,499	601,523	465,499	601,523
Food Service Program	1,361,190	1,360,677	193,276	197,171
Total	<u>\$109,404,265</u>	<u>\$108,054,374</u>	<u>\$105,328,753</u>	<u>\$104,092,318</u>

- The cost of all governmental activities this year was \$109,404,265. (Statement of Activities and Changes in Net Position, Expenses column-see Exhibit 3)
- The users of the District's programs financed some of the cost. (Statement of Activities and Changes in Net Position, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$1,070,008. (Statement of Activities and Changes in Net Position, Operating Grants column – see Exhibit 3)
- Most of the District's net costs were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Position, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2014, the District's combined governmental funds reported a total fund balance of \$62,665,534 which is an increase of \$10,453,572 over the prior year.

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

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for Employee Benefit				
Accrued Liabilities	\$17,183,396	\$14,382,313	\$2,801,083	19%
Restricted for Retirement Contributions	17,967,326	15,717,202	2,250,124	14%
Restricted for Unemployment Insurance	250,958	250,707	251	0%
Restricted for Tax Certiorari	0	5,571,280	(5,571,280)	-100%
Restricted for Capital	8,425,769	3,416,911	5,008,858	147%
Assigned-Designated for				
subsequent year's expenditures	5,600,000	4,100,000	1,500,000	37%
Assigned for General Support	340,911	112,608	228,303	203%
Assigned for Instruction	134,253	175,321	(41,068)	-23%
Unassigned for Tax Reduction	0	146,044	(146,044)	-100%
Unassigned	4,782,892	4,569,102	213,790	5%
Total Fund Balance - General Fund	\$54,685,505	\$48,441,488	\$6,244,017	13%

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease)	Total Percentage Change
School Lunch Fund				
Nonspendable for Inventory	\$58,454	\$72,681	(\$14,227)	-20%
Assigned for School Lunch	379,568	319,902	59,666	19%
Total Fund Balance - School Lunch Fund	<u>\$438,022</u>	<u>\$392,583</u>	<u>\$45,439</u>	<u>12%</u>
Debt Service Fund				
Restricted for Debt Service	\$1,055,361	\$1,053,547	\$1,814	0%
Total Fund Balance - Debt Service Fund	<u>\$1,055,361</u>	<u>\$1,053,547</u>	<u>\$1,814</u>	<u>0%</u>
Capital Projects Fund				
Assigned for Capital Projects	\$ 6,486,646	\$ 2,324,344	\$4,162,302	179%
Total Fund Balance - Capital Projects Fund	<u>\$6,486,646</u>	<u>\$2,324,344</u>	<u>\$4,162,302</u>	<u>179%</u>
Total Fund Balance - All Funds	<u><u>\$62,665,534</u></u>	<u><u>\$52,211,962</u></u>	<u><u>\$10,453,572</u></u>	<u><u>20%</u></u>

The classifications are consistent to fund balance classifications per GASB Statement No. 54. The District can attribute changes to fund balances and reserves primarily due to operating results, Board approved transfers, and allocation of interest earnings.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2013-2014 Budget

The District's General Fund adopted budget for the year ended June 30, 2014 was \$117,878,708. This amount was increased by encumbrances carried forward from the prior year in the amount of \$287,929, donations in the amount of \$85,614, an additional transfer to the capital projects fund of \$3,800,000 and an appropriation from the EBALR reserve in the amount of \$705,610 which resulted in a final budget of \$122,757,861. The majority of the funding was property taxes and STAR revenue of \$106,811,992.

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

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

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Opening, Unassigned Fund Balance	\$4,569,102
Revenues Over Budget	1,406,746
Expenditures and Encumbrances Under Budget	14,228,362
Interest Earnings of Reserves	(97,688)
Decrease for Abolishment of Tax Certiorari Reserve	5,584,392
Fund Balance Appropriated for Budget Revision	(3,800,000)
Increase to Restricted for Capital Reserve	(5,000,000)
Increase to Restricted for Employee Benefit Accrued Liability	(3,458,022)
Increase to Restricted for Retirement Contribution	(3,050,000)
Assigned for 2014-2015 Budget	(5,600,000)
Closing, Unassigned Fund Balance	<u><u>\$4,782,892</u></u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is 4% of the subsequent year's budget, which is at the statutory limit.

The revenues over budget of \$1,406,746 were primarily in charges for services and state aid (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$14,228,362 were primarily in central services, teaching-regular school, programs for students with disabilities and employee benefits (see Supplemental Schedule #1 for detail).

Increases to reserves were primarily due to Board approved transfers. Interest earnings to reserves represent interest earned for the Retirement Contribution, Capital and Employee Benefits and Tax Certiorari Reserves (for further detail refer to Section 4 in the Management Discussion and Analysis).

The decrease for the abolishment of the Tax Certiorari Reserve followed a February 18, 2014 Court of Appeals decision which confirmed that Nassau County violated the State Constitution when it acted by local law to repeal the County Guaranty. Based on that decision, the District had no financial obligation to issue tax refunds and no legal authority to fund a tax certiorari reserve (see Note 1 for further information).

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2014. A summary of the District's capital assets net of depreciation is as follows:

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Category	Fiscal Year 2014	Fiscal Year 2013	Increase Decrease	Percentage Change
Land	\$357,356	\$357,356	\$0	0%
Construction in Progress	894,651	356,953	537,698	151%
Buildings & Building Improvements	49,451,190	49,451,190	0	0%
Machinery and Equipment	3,683,338	3,429,201	254,137	7%
Subtotal	54,386,535	53,594,700	791,835	1%
Less: Accumulated Depreciation	23,104,724	21,847,979	1,256,745	6%
Total Net Capital Assets	\$31,281,811	\$31,746,721	(\$464,910)	-1%

B. Long-Term Debt

At June 30, 2014, The District had total bonds payable of \$7,845,000. The bonds were issued in 2007 to advance refund bonds that were originally issued for district-wide projects. The District had installment purchase debt for an equipment capital lease of \$155,132. The decrease in outstanding debt represents payments against principal. A summary of outstanding debt at June 30, 2014 and 2013 is as follows:

	2014	2013	Increase (Decrease)
Advance Refunding Bond	\$7,845,000	\$9,245,000	(\$1,400,000)
Installment Purchase Debt	155,132	356,623	(201,491)
Total	\$8,000,132	\$9,601,623	(\$1,601,491)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A. The general fund budget for the 2014-2015 school year was approved by the voters in the amount of \$119,572,384 of which \$106,811,992 will be raised by taxation, which is a zero increase over the prior year's tax levy. The 2014-2015 budget is an increase of 1.44% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- B. As part of its 2015 State Budget, the New York State Legislature enacted the Property Tax Freeze Credit (Freeze Credit). The new law provides a Freeze Credit to qualified homeowners who live in a taxing jurisdiction that limits any tax levy increase to a property tax cap set by State law and develops and implements a Government Efficiency Plan determined to be compliant by the New York State Division of Budget. In year one of the program, homeowners will receive the Freeze Credit if their local government or school district stays within the property tax cap. The District has

**JERICHO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

complied with this requirement for year one. In year two of the program, homeowners will receive the Freeze Credit if their local government or school district stays within the property tax cap and puts forward a compliant plan to save one percent of their tax levies in each of the following three years. In order for District taxpayers to receive the Freeze Credit in 2015, the District will participate in the development and implementation of a Government Efficiency Plan which needs to be submitted to the NYS Division of Budget by June 1, 2015.

- C. On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law" or "Law") was signed by the Governor. The Tax Levy Limit Law modified previous law by imposing a limit on the amount of real property taxes that a school district may levy. The Law became effective for the District's 2012-2013 fiscal year, commencing July 1, 2012.

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

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

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

- D. The "Common Sense Act of 2010" passed by the Nassau County Legislature on October 29, 2010 repealed the "County Guarantee" provision of the Nassau County Administrative Code which required the County to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by towns, special districts and school districts. On February 18, 2014, the NYS Court of Appeals issued an opinion which confirms that Nassau county violated the State Constitution when it acted by local law to repeal the County Guaranty. (See Note 1)
- E. 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

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

“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 2012-2013 year. The District has funded \$8,416,911 into the Capital Reserve as of June 30, 2014. (See Note 1)

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

ASSETS

Cash	
Unrestricted	\$24,480,686
Restricted	44,882,810
Receivables	
Taxes receivable	2,216,862
State and federal aid	1,152,526
Due from other governments	927,552
Due from fiduciary funds	455,316
Other	31,819
Inventories	58,454
Capital assets, net	<u>31,281,811</u>
TOTAL ASSETS	<u>105,487,836</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred charges - advance refunding	<u>1,732</u>
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LIABILITIES

Payables	
Accounts payable	1,924,727
Accrued liabilities	674,997
Bond interest payable	151,578
Due to other governments	13,116
Due to teachers' retirement system	7,686,641
Due to employees' retirement system	833,904
Unearned credits	
Collections in advance	7,106
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,435,000
Installment purchase debt	155,132
Compensated absences payable	700,000
Due and payable after one year	
Bonds payable	6,410,000
Compensated absences payable	18,452,079
Net other postemployment benefits obligation payable	<u>31,591,052</u>
TOTAL LIABILITIES	<u>70,035,332</u>

NET POSITION

Net investment in capital assets	23,281,679
Restricted	44,882,810
Unrestricted (Deficit)	<u>(32,710,253)</u>
TOTAL NET POSITION	<u>\$ 35,454,236</u>

JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS / PROGRAMS				
General support	\$11,469,665			(\$11,469,665)
Instruction	90,298,295	\$2,014,966	\$892,632	(87,390,697)
Pupil transportation	5,716,885			(5,716,885)
Community services	92,731			(92,731)
Debt service- interest	465,499			(465,499)
Food Service program	1,361,190	990,538	177,376	(193,276)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$109,404,265</u>	<u>\$3,005,504</u>	<u>\$1,070,008</u>	<u>(\$105,328,753)</u>
GENERAL REVENUES				
Real property taxes				\$102,900,486
Other tax items - including STAR reimbursement				4,217,344
Use of money & property				670,766
Forfeitures				2,416
Sale of property & compensation for loss				2,057
Miscellaneous				454,715
State sources				4,056,694
Medicaid reimbursement				49,281
TOTAL GENERAL REVENUES				<u>\$112,353,759</u>
CHANGE IN NET POSITION				7,025,006
TOTAL NET POSITION - BEGINNING OF YEAR				<u>28,429,230</u>
TOTAL NET POSITION - END OF YEAR				<u>\$35,454,236</u>

**JERICO UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$15,657,474	\$1,374,567	\$960,000		\$6,488,645	\$24,480,686
Restricted	43,827,449			\$1,055,361		44,882,810
Receivables						
Taxes receivable	2,216,862					2,216,862
State and federal aid	503,588	635,207	13,731			1,152,526
Due from other governments	927,552					927,552
Due from other funds	2,984,783				37,970	3,022,753
Accounts receivable	28,932		2,887			31,819
Inventories			58,454			58,454
TOTAL ASSETS	<u>\$66,146,640</u>	<u>\$2,009,774</u>	<u>\$1,035,072</u>	<u>\$1,055,361</u>	<u>\$6,526,615</u>	<u>\$76,773,462</u>
LIABILITIES						
Payables						
Accounts payable	\$1,869,914	\$8,753	\$6,091	\$ -	\$39,969	\$1,924,727
Accrued liabilities	658,455	10,419	6,123			674,997
Due to other governments	12,221		895			13,116
Due to other funds		1,983,496	583,941			2,567,437
Due to teachers' retirement system	7,686,641					7,686,641
Due to employees' retirement system	833,904					833,904
Unearned credits						
Collections in advance		7,106				7,106
TOTAL LIABILITIES	<u>11,061,135</u>	<u>2,009,774</u>	<u>597,050</u>	<u>-</u>	<u>39,969</u>	<u>13,707,928</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	400,000					400,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>400,000</u>					<u>400,000</u>
FUND BALANCE						
Nonspendable			58,454			58,454
Restricted	43,827,449			1,055,361		44,882,810
Assigned	6,075,164		379,568		6,486,646	12,941,378
Unassigned	4,782,892					4,782,892
TOTAL FUND BALANCE	<u>54,685,505</u>	<u>-</u>	<u>438,022</u>	<u>1,055,361</u>	<u>6,486,646</u>	<u>62,665,534</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$66,146,640</u>	<u>\$2,009,774</u>	<u>\$1,035,072</u>	<u>\$1,055,361</u>	<u>\$6,526,615</u>	<u>\$76,773,462</u>

**JERICHO UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances	\$62,665,534
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Amounts reported for governmental activities in the
Statement of Net Position is different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net 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	\$54,386,535	
Accumulated depreciation	<u>(23,104,724)</u>	31,281,811

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

Deferred charges - advance refunding	1,732
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The governmental funds focus on short-term financing, some assets will not be available soon enough to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are, however, included in net position of the governmental activities.

400,000

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

Bonds payable	(7,845,000)	
Accrued interest on bonds payable	(151,578)	
Installment purchase debt	(155,132)	
Net other postemployment benefits obligations payable	(31,591,052)	
Compensated absences payable	<u>(19,152,079)</u>	<u>(58,894,841)</u>

Total Net Position	<u><u>\$35,454,236</u></u>
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JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$102,900,486					\$102,900,486
Other tax items - including STAR reimbursement	4,217,344					4,217,344
Charges for services	1,945,608					1,945,608
Use of money and property	668,952			\$1,814		670,766
Forfeitures	2,416					2,416
Sale of property and compensation for loss	2,057					2,057
Miscellaneous	443,655	\$11,060				454,715
Interfund revenue	11,859					11,859
State sources	4,056,694	157,920	14,015			4,228,629
Federal sources		734,712	105,018			839,730
Medicaid reimbursement	49,281					49,281
Surplus food			58,343			58,343
Sales - food services			990,538			990,538
TOTAL REVENUES	114,298,352	903,692	1,167,914	1,814	-	116,371,772
EXPENDITURES						
General support	9,143,433					9,143,433
Instruction	62,225,209	1,182,249				63,407,458
Pupil transportation	5,446,083	54,553				5,500,636
Community service	64,998					64,998
Employee benefits	24,029,464		377,589			24,407,053
Debt service - principal				1,400,000		1,400,000
Debt service - interest	97,000			390,038		487,038
Cost of sales			969,886			969,886
Capital outlay					537,698	537,698
TOTAL EXPENDITURES	101,006,187	1,236,802	1,347,475	1,790,038	537,698	105,918,200
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	13,292,165	(333,110)	(179,561)	(1,788,224)	(537,698)	10,453,572
OTHER FINANCING SOURCES AND USES						
Operating transfers in		333,110	225,000	1,790,038	4,700,000	7,048,148
Operating transfers (out)	(7,048,148)					(7,048,148)
TOTAL OTHER FINANCING SOURCES (USES)	(7,048,148)	333,110	225,000	1,790,038	4,700,000	0
CHANGE IN FUND BALANCE	6,244,017	0	45,439	1,814	4,162,302	10,453,572
FUND BALANCES - BEGINNING OF YEAR	48,441,488	0	392,583	1,053,547	2,324,344	52,211,962
FUND BALANCE - END OF YEAR	\$54,685,505	\$0	\$438,022	\$1,055,361	\$6,486,646	\$62,665,534

**JERICHO UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance		\$10,453,572
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
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 Statement of Activities.		
Increase in compensated absences liability:	(189,220)	
Increase in net other postemployment benefits obligation payable	(4,466,828)	
Deferred Inflows - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. Such deferred revenue decreased by		69,357
Long-Term Debt Transactions		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities		1,400,000
Repayment of installment purchase debt principal is an expenditure in the governmental fund, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities		201,496
Governmental funds report the defeasance loss, premiums, discounts, and similar items on the refunded bonds. Some of these amounts are reported as deferred outflows of resources and amortized in the Statement of Activities. The amount of amortization is	(341)	
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financials resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2013 to June 30, 2014 decreased by		21,880
Capital Related Items		
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as summarized below:		
Capital outlays	914,163	
Depreciation expense	(1,379,073)	(464,910)
Changes in Net Position of Governmental Activities		<u>\$7,025,006</u>

**JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash-unrestricted		\$1,076,298
Cash-restricted	\$101,353	
TOTAL ASSETS	<u>\$101,353</u>	<u>\$1,076,298</u>
LIABILITIES		
Extraclassroom activity balance		\$142,599
Due to other funds		455,316
Other liabilities		478,383
TOTAL LIABILITIES	<u>\$0</u>	<u>\$1,076,298</u>
NET POSITION		
Restricted for scholarships	\$101,353	
TOTAL NET POSITION	<u>\$101,353</u>	

**JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$20,715
Interest and earnings	<u>116</u>
TOTAL ADDITIONS	<u>20,831</u>
DEDUCTIONS	
Scholarships and awards	<u>32,260</u>
TOTAL DEDUCTIONS	<u>32,260</u>
CHANGE IN NET POSITION	(11,429)
NET POSITION - BEGINNING OF YEAR	<u>112,782</u>
NET POSITION - END OF YEAR	<u><u>\$101,353</u></u>

**JERICOHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A) Reporting entity

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

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

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

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Funds.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B) Joint venture

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of presentation

i) District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants, if applicable.

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 charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

D) Measurement focus and basis of accounting

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

The governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, 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.

E) Property taxes

i) Calendar

Real property taxes are levied annually by the Board of Education no later than August 15th. Taxes are collected by the Towns of Oyster Bay and North Hempstead during the periods October 1st through November 10th, and April 1st through May 10th without penalty.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1st.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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.

G) Interfund transactions

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

In the District-Wide Financial Statements, the amounts reported on the Statement of Net 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 may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates

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

I) Cash and cash equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

acquisition. Restricted cash is reported for cash balances associated with restricted fund balances, and cash held by fiscal agents.

J) Receivables

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

K) Inventories

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

L) Other assets/restricted assets

Certain proceeds from serial bonds and resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

M) Capital assets

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

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

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

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N) Deferred Outflows of Resources

Deferred outflows of resources represents the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the new debt, whichever is shorter.

O) Collections in advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District. 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

P) Deferred revenues

Deferred revenues are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. In the District-wide financial statements, deferred revenues are generally treated as revenues.

Q) Vested employee benefits

i) Compensated absences

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

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

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

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

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

R) Other benefits

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System. District employees may choose to participate in the District's elective deferred compensation plans established under the Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

S) 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.

T) Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the Funds Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

U) Equity Classifications

i) District-Wide Financial Statements

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or 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 all other amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements

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:

(1) Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$58,454.

(2) Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology “reserves” and school districts are only allowed to use reserves authorized by law.

**JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The District has classified the following reserves as restricted:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<u>Restricted for:</u>			
Employee Benefit Accrued Liability	\$ 17,183,396		\$ 17,183,396
Retirement Contributions	17,967,326		17,967,326
Unemployment Insurance	250,958		250,958
Capital	8,425,769		8,425,769
Debt Service		\$ 1,055,361	1,055,361
Total	<u>\$ 43,827,449</u>	<u>\$ 1,055,361</u>	<u>\$ 44,882,810</u>

Employee Benefit Accrued Liability Reserve

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

Retirement Contributions Reserve

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

Unemployment Insurance Reserve

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

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NOTES TO FINANCIAL STATEMENTS
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Capital Reserve

According to Education Law §3651, must be 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 §of the Education Law. The reserve is accounted for in the General Fund.

Restricted for Debt Service

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

Tax Certiorari Reserve

According to Education Law §3651-1a, school districts may establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. On February 18, 2014, the Court of Appeals issued a decision which confirmed school districts would not be liable for judgments and claims arising out of tax certiorari proceedings and any tax certiorari obligations remain with Nassau County. Based on that decision, the District has no financial obligation and no legal authority to fund this reserve and, therefore, abolished the reserve and returned the funds to the unassigned fund balance.

Restricted for Scholarships

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

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2014.
- (4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

The District has classified the following as assigned:

	General	School Lunch	Capital Projects	Total
<u>Assigned for:</u>				
Appropriated for Subsequent				
Year's Expenditures	\$ 5,600,000			\$ 5,600,000
General Support	340,911			340,911
Instruction	134,253			134,253
School Lunch		\$ 379,568		379,568
Capital Projects			\$ 6,486,646	6,486,646
Total	<u>\$ 6,075,164</u>	<u>\$ 379,568</u>	<u>\$ 6,486,646</u>	<u>\$ 12,941,378</u>

Appropriated for Subsequent Year's Expenditures

The amount of \$5,600,000 has been appropriated to partially fund the subsequent year's budget.

Encumbrances

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

- (5) Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance. The District has an unassigned fund balance of \$4,782,892 at June 30, 2014.

Unassigned Fund Balance - NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. In 2013, the District had retained an amount for a reserve for Tax Reduction that was excluded from the 4% limitation. During 2013-2014, the remaining balance of the reserve for Tax Reduction was appropriated for expenditures as required by law. Currently, the District has an

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

unassigned fund balance that is at 4.0% of the District's budget for the general fund for the ensuing fiscal year.

Order of Use of Fund Balance

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

U. New Accounting Standards

- i) GASB released GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 will become effective for the District's 2014-2015 fiscal year. As a cost-sharing employer, the District will need to record a liability and expense equal to its proportionate share of the collective net pension liability and expense for the cost-sharing plans of the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-Wide Statements compared with the current financial resources 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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) Long-term revenue and expense differences

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

ii) Capital related differences

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

iii) Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not

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expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Voter-approved Additional Transfer to Capital	\$3,800,000
Donation	85,614
Employee Benefit Accrued Liability Reserve	
Appropriation	705,610
	<u>\$4,591,224</u>

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

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

B) Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned fund balance, 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.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A) Cash

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

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Collateral is required for demand and time deposits and certificates of deposits not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

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

NOTE 5 – PARTICIPATION IN BOCES

During the year, the District was billed \$2,135,144 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$477,866. Financial statements for the BOCES are available from the BOCES administrative office at Nassau Board of Cooperative Educational Services George Farber Administrative Center 71 Clinton Road, Garden City, NY 11530.

**JERICO UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 –RECEIVABLES

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

	General	School Lunch	Special Aid	Total Governmental Funds
Taxes receivable				
Town of Oyster Bay	\$ 2,063,461			\$ 2,063,461
Town of North Hempstead	153,401			153,401
Total Taxes receivable	<u>2,216,862</u>	<u>-</u>	<u>-</u>	<u>2,216,862</u>
Due from state and federal				
Excess cost aid	288,548			288,548
BOCES aid receivable	215,040			215,040
General aid				-
Lunch - state		13,731		13,731
Federal grants			363,603	363,603
State grants			271,604	271,604
Total Due from State and Federal	<u>503,588</u>	<u>13,731</u>	<u>635,207</u>	<u>1,152,526</u>
Due from other governments				
Tuition receivable	626,288			626,288
Health services	104,657			104,657
Split line property taxes	121,607			121,607
Nassau county drug & alcohol grant	75,000			75,000
Total Due from Other Governments	<u>927,552</u>	<u>-</u>	<u>-</u>	<u>927,552</u>
Accounts receivable				
Miscellaneous	28,932	2,887		31,819
Total accounts receivable	<u>28,932</u>	<u>2,887</u>	<u>-</u>	<u>31,819</u>

District management has deemed these amounts to be fully collectible.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 357,356			\$ 357,356
Construction in progress	356,953	\$ 537,698	\$ -	894,651
Total capital assets not being depreciated	<u>714,309</u>	<u>537,698</u>	<u>-</u>	<u>1,252,007</u>
Capital assets that are depreciated:				
Building & building improvements	49,451,190			49,451,190
Furniture and equipment	3,429,201	376,465	(122,328)	3,683,338
Total capital assets being depreciated	<u>52,880,391</u>	<u>376,465</u>	<u>(122,328)</u>	<u>53,134,528</u>
Less accumulated depreciation:				
Building & building improvements	19,394,276	1,027,305		20,421,581
Furniture and equipment	2,453,703	351,768	(122,328)	2,683,143
Total accumulated depreciation	<u>21,847,979</u>	<u>1,379,073</u>	<u>(122,328)</u>	<u>23,104,724</u>
Total depreciable historical cost, net	<u>\$ 31,746,721</u>	<u>\$ (464,910)</u>	<u>\$ -</u>	<u>\$ 31,281,811</u>

Depreciation expense and depreciation related adjustments were charged to governmental functions as follows:

General Support	\$ 158,478
Instruction	1,138,307
Pupil Transportation	68,573
School Lunch	13,715
	<u>\$ 1,379,073</u>

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General fund	\$2,984,783			\$7,048,148
Special aid fund		\$ 1,983,496	\$ 333,110	
School lunch fund		583,941	225,000	
Debt service fund			1,790,038	
Capital projects fund	37,970		4,700,000	
Total government activities	<u>3,022,753</u>	<u>2,567,437</u>	<u>7,048,148</u>	<u>7,048,148</u>
Fiduciary agency fund		455,316		
Totals	<u>\$3,022,753</u>	<u>\$3,022,753</u>	<u>\$7,048,148</u>	<u>\$7,048,148</u>

The District typically transfers from the general fund to the debt service fund to pay down debt. The District typically transfers from the general fund to the capital projects fund to finance capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's share of the summer program for students with disabilities expenses required

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by State Law. The District transferred from the general fund to the school lunch fund to support the school lunch program.

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

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

NOTE 9 - SHORT-TERM DEBT

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

		Stated				
	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	06/20/14	1.00%	\$12,000,000		\$12,000,000	\$0

Interest expense on short-term debt for the year was \$97,000.

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

NOTE 10 – LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:	\$ 9,245,000	-	\$ 1,400,000	\$ 7,845,000	\$ 1,435,000
Installment purchase debt	356,623		201,496	155,132	155,132
Total bonds & installment debt payable	9,601,623	0	1,601,496	8,000,132	1,590,132
Other liabilities:					
Net other post employment benefits obligation	27,124,224	4,466,828		31,591,052	0
Compensated absences	18,962,859	189,220		19,152,079	700,000
Total other liabilities	46,087,083	4,656,048	0	50,743,131	700,000
Total long-term liabilities	\$55,688,706	\$4,656,048	\$1,601,496	\$58,743,263	\$2,290,132

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

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Existing serial bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Advance Refunding Serial Bond	3/27/2007	2020	3.48 - 5%	\$ 7,845,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,435,000	\$ 327,912	\$ 1,762,912
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	735,000	18,375	753,375
	<u>\$ 7,845,000</u>	<u>\$ 1,025,594</u>	<u>\$ 8,870,594</u>

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

	Total
Interest paid	\$390,038
Less interest accrued in the prior year	(173,458)
Plus interest accrued in the current year	151,578
Plus amortization of deferred charge from advanced refunding	341
Total expense	<u>\$368,499</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 155,132	\$ 1,946	\$ 157,078

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 – PENSION PLANS

A) General information

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

B) Provisions and administration

i) Teachers' Retirement System

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

ii) Employees' Retirement System

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

C) Funding policies

The Systems are noncontributory for the employee except for those who joined the Systems on or after July 27, 1976 and before January 1, 2010 with less than ten years of credited service, who contribute 3% of their salary; or those who joined the Systems on or after January 1, 2010 and before April 1, 2012, who contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll paid during the NYSERS fiscal year ending March 31st, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are

**JERICO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

established annually for NYSTRS by the New York State Teachers' Retirement Board for the fiscal year ended June 30th.

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

	ERS	TRS
2013-2014	\$ 2,665,928	\$ 7,514,463
2012-2013	\$ 2,476,216	\$ 5,427,085
2011-2012	\$ 1,818,322	\$ 5,102,687

D) 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, 2014, totaled \$530,111 and \$3,348,224, respectively.

E) 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, 2014 totaled \$901,480.

NOTE 12 – POST-EMPLOYMENT BENEFITS

Health Insurance

Plan Description

The District provides post employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The Plan is a single-employer defined benefit healthcare plan primarily administered through the NYSHIP Empire Program. The Plan provides medical insurance benefits to eligible retirees and their spouses. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the District contributed \$1,403,641 to the plan. Plan members receiving benefits contributed 50-75% of the health insurance premium.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan according to the valuation as of July 1, 2012:

Annual required contribution	\$ 6,294,078
Interest on net OPEB obligation	1,084,969
Adjustment to Annual Required Contribution	<u>(1,508,577)</u>
Annual OPEB cost (expense)	5,870,470
Contributions made	<u>(1,403,642)</u>
Increase in net OPEB obligation	4,466,828
Net OPEB obligation-beginning of year	<u>27,124,224</u>
Net OPEB obligation-end of year	<u><u>\$ 31,591,052</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions & Adjustments</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 6,620,454	\$ 1,174,053	17.7%	\$ 22,389,801
June 30, 2013	\$ 5,944,410	\$ 1,209,987	20.4%	\$ 27,124,224
June 30, 2014	\$ 5,870,470	\$ 1,403,641	23.9%	31,591,052

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$64,147,385 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$64,147,385. The covered payroll was \$51,832,532 and the percentage of the UAAL to the covered payroll was 124%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial report prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 11 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

NOTE 13 – RISK MANAGEMENT

A) General

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

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B) Consortiums and Self Insured Plan

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

The District participates in the Nassau County Schools Cooperative Workers' Compensation Self Insured Plan (the "Workers' Compensation Plan) to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to administer claims, finance liability and manage risks related to workers' compensation claims. The District pays an annual assessment determined by the Plan's Board of Trustees. In the event that the Plan has insufficient funds to meet its obligations, the Plan's Board of Trustees may issue supplemental assessments to the Plan's members. Plan members who withdraw or are terminated from the Plan's membership will assume responsibilities for all open and unpaid claims associated with them. The Workers' Compensation Plan's total discounted liability for unbilled and open claims at June 30, 2014 was \$13,569,378 with the discount rate of 4%. The Workers' Compensation Plan has assets of \$15,853,688 at June 30, 2014 to pay these liabilities.

NOTE 14- COMMITMENTS AND CONTINGENCIES

A) Grants

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

B) Operating Leases

The District does not currently participate in any operating leases.

C) Litigation

As of June 30, 2014, management is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

D) Encumbrances

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

**JERICHO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2014 were \$475,164. Significant encumbrances include \$310,811 assigned for building maintenance, \$96,173 for equipment and \$23,100 for professional services.
- ii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2014 were \$1,380,002. Significant encumbrances include \$800,936 assigned to the District-Wide lighting project, \$336,783 to the HS/MS projects, \$93,000 to the Cantiague project, \$78,766 to the Seaman project and \$61,241 to the Williams Building.

NOTE 15– SUBSEQUENT EVENTS

The District is anticipating issuing Tax Anticipation Notes (TANs) in late September 2014 in an amount not to exceed \$11,000,000.

**JERICOHO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real Property Taxes	\$102,811,992	\$102,811,992	\$102,900,486	\$88,494
Other Real Property Tax Items	4,000,000	4,000,000	3,941,824	(58,176)
Payments Made in Lieu of Taxes	300,000	300,000	275,520	(24,480)
Charges for Services	1,154,000	1,154,000	1,945,608	791,608
Use of Money & Property	645,000	645,000	668,952	23,952
Forfeitures	5,000	5,000	2,416	(2,584)
Sale of Property & Compensation for Loss	0	0	2,057	2,057
Miscellaneous	252,940	338,554	443,655	105,101
Interfund Revenues	15,000	15,000	11,859	(3,141)
State Sources				
Basic Formula	1,600,000	1,600,000	1,648,533	48,533
Excess Cost Aid	1,162,000	1,162,000	1,537,862	375,862
Lottery Aid	92,000	92,000	105,729	13,729
BOCES Aid	480,000	480,000	477,866	(2,134)
Textbook Aid	185,000	185,000	185,818	818
Computer Software Aid	57,000	57,000	57,074	74
Library A/V Loan Program Aid	24,000	24,000	23,812	(188)
Other State Aid	0	0	20,000	20,000
Federal Sources				
Medicaid Reimbursement	22,060	22,060	49,281	27,221
TOTAL REVENUES	112,805,992	112,891,606	\$114,298,352	\$1,406,746
APPROPRIATED FUND BALANCE				
Assigned - Designated for Subsequent year's expenditures	4,100,000	4,100,000		
Appropriated Fund Balance	-	3,800,000 (1)		
Appropriated Reserve	972,716	1,678,326		
Prior Year Encumbrances	287,929	287,929		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$118,166,637	\$122,757,861		

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

- (1) On May 20, 2014, the District voters approved an appropriation of fund balance for the Jericho High School/Middle School Auditorium renovations and District Wide Security Upgrades. This amount was an additional appropriation of Transfer to Capital during the year.

JERICHO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of Education	\$100,300	\$100,300	\$71,740	\$0	\$28,560
Central Administration	490,793	490,793	476,168	0	14,625
Finance	1,229,808	1,229,808	1,043,706	23,100	163,002
Staff	863,577	863,577	768,435	0	95,142
Central Services	7,755,001	7,755,001	6,014,618	317,811	1,422,572
Special Items	900,000	894,419	768,766	0	125,653
Instructional					
Instruction, Adm. & Imp.	4,712,764	4,721,727	4,479,922	0	241,805
Teaching - Regular School	39,571,921	40,265,162	34,399,986	23,080	5,842,096
Programs for Students with Disabilities	17,095,753	16,973,563	15,476,475	15,000	1,482,088
Occupational Education	180,000	113,500	58,280	0	55,220
Instructional Media	2,859,521	2,981,701	2,689,050	96,173	196,478
Pupil Services	5,535,940	5,587,940	5,121,496	0	466,444
Pupil Transportation	6,203,388	6,203,388	5,446,083	0	757,305
Community Services	54,000	70,000	64,998	0	5,002
Employee Benefits	27,298,833	27,298,833	24,029,464	0	3,269,369
Debt Service - interest	160,000	160,000	97,000	0	63,000
TOTAL EXPENDITURES	<u>115,011,599</u>	<u>115,709,712</u>	<u>101,006,187</u>	<u>475,164</u>	<u>14,228,361</u>
Other Financing Uses					
Transfers to Other Funds	<u>3,155,038</u>	<u>7,048,149</u>	<u>7,048,148</u>	<u>0</u>	<u>1</u>
TOTAL EXPENDITURES AND OTHER USES	<u><u>\$118,166,637</u></u>	<u><u>\$122,757,861</u></u>	<u><u>108,054,335</u></u>	<u><u>\$475,164</u></u>	<u><u>\$14,228,362</u></u>
Change in fund balance			6,244,017		
Fund balance - beginning			<u>48,441,488</u>		
Fund balance - ending			<u><u>\$54,685,505</u></u>		

Note to Required Supplementary Information

Budget Basis of accounting

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

**JERICO UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2014**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2008	\$0	\$ 58,497,474	\$ 58,497,474	\$0	\$ 49,624,812	118%
July 1, 2010	\$0	\$ 63,218,162	\$ 63,218,162	\$0	\$ 50,736,898	125%
July 1, 2012	\$0	\$ 64,147,385	\$ 64,147,385	\$0	\$ 51,832,532	124%

**JERICHO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$117,878,708
Add: Prior year's encumbrances	<u>287,929</u>
Original Budget	118,166,637
Budget Revisions:	<u>4,591,224</u>
Final Budget	<u><u>\$122,757,861</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-2015 voter-approved expenditure budget	<u><u>\$119,572,384</u></u>
Maximum allowed (4% of 2014-2015 budget)	<u><u>\$ 4,782,895</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 6,075,164	
Unassigned fund balance	<u>4,782,892</u>	
		10,858,056

Less:

Appropriated fund balance	5,600,000	
Encumbrances	<u>475,164</u>	
Total adjustments		<u><u>6,075,164</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law: \$ 4,782,892

Actual Percentage 4.00%

JERICHO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND
AS OF JUNE 30, 2014

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date		Unexpended Balance	Methods of Financing			Fund Balance June 30, 2014
			Prior Year's	Current Year		Proceeds of Obligations	State Aid	Local Sources	
Springer Gym Roof	\$300,000	\$300,000	\$296,524	\$296,524	\$3,476	-	-	\$300,000	\$3,476
Pool Roof	375,000	375,000	346,455	346,455	28,545	-	-	375,000	28,545
Jackson Roof	1,550,000	1,550,000	1,035,205	1,035,205	514,795	-	-	1,550,000	514,795
Middle School/High School Track	980,000	980,000	865,519	865,519	114,481	-	-	980,000	114,481
Middle School/High School Tile	20,000	20,000	-	-	20,000	-	-	20,000	20,000
Robert Williams Elementary	1,000,000	1,000,000	211,225	332,990	455,785	-	-	1,000,000	455,785
Middle School/High School Freight Elevator/Walk-in Boxes/Generator	270,000	841,211	48,099	63,699	729,413	-	-	841,211	729,413
Cantigue Lighting/Stair Enclosures	105,000	223,967	29,222	9,833	184,912	-	-	223,967	184,912
Jackson Lighting and Gym Floor	390,000	513,969	34,693	123,398	355,878	-	-	513,969	355,878
Seaman Lighting/Pointing	235,000	320,853	33,714	7,778	279,361	-	-	320,853	279,361
High School/Middle School Auditorium	-	3,500,000	-	-	3,500,000	-	-	3,500,000	3,500,000
District Wide Security and Technology Upgrades	-	300,000	-	-	300,000	-	-	300,000	300,000
TOTAL	\$5,225,000	\$9,925,000	\$2,900,656	\$537,698	\$6,486,646	-	\$0	\$9,925,000	\$6,486,646

**JERICO UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2014**

Capital assets, net			\$31,281,811
Deduct:			
Short-term portion of bonds payable	1,435,000		
Long-term portion of bonds payable	6,410,000		
Short-term portion of installment debt purchase	<u>155,132</u>		
		<u>8,000,132</u>	
Net investment in capital assets			<u><u>\$23,281,679</u></u>



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**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, 2014, 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 12, 2014.

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 12, 2014.

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 12, 2014

