

**JERICO UNION FREE SCHOOL DISTRICT**

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

June 30, 2012

**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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

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

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of the Jericho Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United 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 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Union Free School District's basic financial statements. The other supplementary information on pages 54 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 express no opinion on it.

*Cullen & Danowski, LLP*

September 17, 2012

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2.5% as a result of increased property taxes offset by a decrease in state aid and operating grants.
- On the District-Wide Financial Statements, expenditures increased by 0.8% as a result of increased instructional expenses and employee benefit expenses offset by a decrease in debt service and general support.
- On the Fund Financial Statements, unassigned fund balance is made up of two components, the Tax Reduction Reserve of \$145,677 and unassigned fund balance of \$4,433,063 that is limited by NYS Real Property Tax Law §1318 to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. As of June 30, 2012, the unassigned fund balance is 3.87% of the District's budget for the general fund for the ensuing fiscal year.
- 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 15, 2012, the proposed 2012-2013 budget in the amount of \$114,468,464 was authorized by the District's residents.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- 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

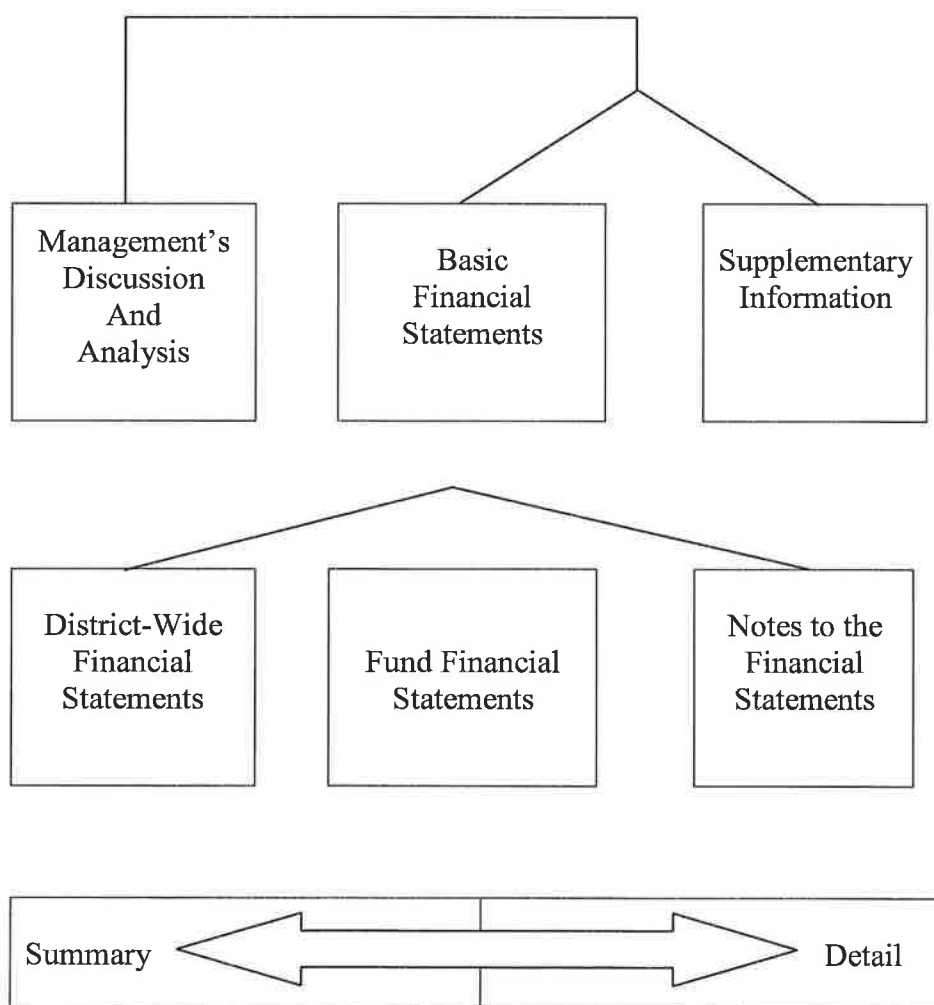


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

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

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

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**A. District-Wide Financial Statements**

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

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

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

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

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

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

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary funds reporting focuses on net assets and changes in net assets. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Assets**

The District's total net assets increased by \$2,303,369 in the fiscal year ended June 30, 2012 as detailed in Table A-3.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)	Percentage Change
Current assets and other assets	\$ 51,684,089	\$ 55,523,313	(3,839,224)	-7%
Capital assets, net	32,211,842	32,206,547	5,295	0%
Total Assets	<u>\$ 83,895,931</u>	<u>\$ 87,729,860</u>	<u>\$ (3,833,929)</u>	<u>-4%</u>
Current liabilities	\$ 8,236,682	\$ 18,874,691	(10,638,009)	-56%
Long-term liabilities	52,184,817	47,684,106	4,500,711	9%
Total Liabilities	<u>\$ 60,421,499</u>	<u>\$ 66,558,797</u>	<u>\$ (6,137,298)</u>	<u>-9%</u>
Net Assets				
Investment in capital assets, net of related debt	\$ 21,075,817	\$ 19,502,907	\$ 1,572,910	8%
Restricted	31,697,878	25,170,854	6,527,024	26%
Unrestricted	(29,299,263)	(23,502,698)	(5,796,565)	25%
Total Net Assets	<u>\$ 23,474,432</u>	<u>\$ 21,171,063</u>	<u>\$ 2,303,369</u>	<u>11%</u>
Total Liabilities & Net Assets	<u>\$ 83,895,931</u>	<u>\$ 87,729,860</u>	<u>\$ (3,833,929)</u>	<u>-4%</u>

Current assets and other assets decreased \$3,839,224 from 2011 to 2012 primarily due to a decrease in cash as a result of the TANS borrowing for 2012-2013 taking place after June 30, 2012 offset by increases in taxes receivable and state and federal aid receivable. Capital assets (net of depreciation) increased by \$5,295. This was attributable to capital asset additions and retirements offset by current year depreciation. Current liabilities decreased by \$10,638,009. This was attributable to no TANS liability as of June 30, 2012 offset by increases in due to teachers' retirement system and employee retirement system due to an increase in rates as well as an increase in accounts payable. Long-term liabilities increased by \$4,500,711 primarily due to an increase in net obligation of other postemployment benefits and an increase in compensated absences payable offset by payments on bonds and installment debt. Net assets overall increased by \$2,303,369.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery and equipment, net of depreciation and related debt. This number increased from the prior year by \$1,572,910 due to additional capital expenses for building improvements and equipment, and principal payments on debt, offset by depreciation.

## **B. Changes in Net Assets**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2012 and 2011 is as follows:

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$2,525,059	\$2,129,632	\$395,427	19%
Operating Grants	1,641,337	1,924,684	(283,347)	-15%
<b>General Revenues</b>				
Property Taxes (including Other tax items)	101,490,415	98,679,621	\$2,810,794	3%
State Formula Aid	3,905,476	4,086,496	(\$181,020)	-4%
Use of Money and Property	665,527	824,014	(\$158,487)	-19%
Other	821,273	677,403	\$143,870	21%
<b>Total Revenues</b>	<u>\$111,049,087</u>	<u>\$108,321,850</u>	<u>\$2,727,237</u>	<u>3%</u>
<b>Expenses</b>				
General Support	\$12,146,379	\$12,461,548	(\$315,169)	-3%
Instruction	88,905,158	88,019,906	885,252	1%
Pupil Transportation	5,730,057	5,500,857	229,200	4%
Community Service	75,834	59,568	16,266	27%
Debt Service - interest	514,965	583,242	(68,277)	-12%
Food Service Program	1,373,325	1,279,596	93,729	7%
<b>Total Expenses</b>	<u>\$108,745,718</u>	<u>\$107,904,717</u>	<u>\$841,001</u>	<u>1%</u>
<b>Increase in Net Assets</b>	<u>\$2,303,369</u>	<u>\$417,133</u>	<u>\$1,886,236</u>	

The District's fiscal year 2012 revenues totaled \$111,049,087. (See Table A-4). Property taxes (including other tax items) and state formula aid accounted for most of the District's revenue by contributing 91 cents and 4 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources. The decrease in use of money and property is the result of lower interest rates on the District's deposits.

The cost of all programs and services totaled \$108,745,718 for fiscal year 2012. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 87% of District expenses. (See Table A-6). The District's general support activities accounted for 11% of total costs.

**JERICOHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Table A-5: Revenues for Fiscal Year 2012 (See Table A-4)

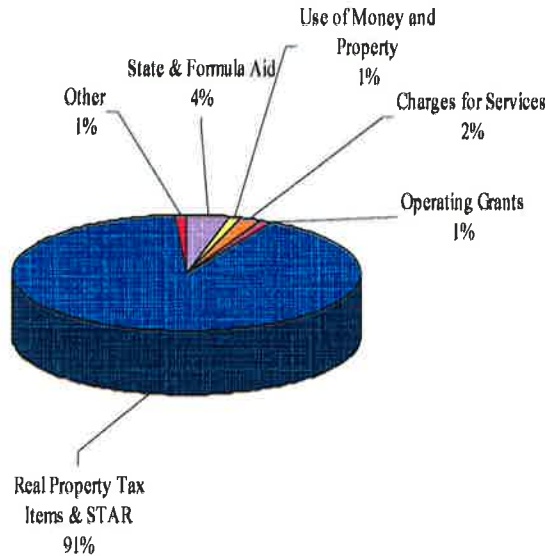
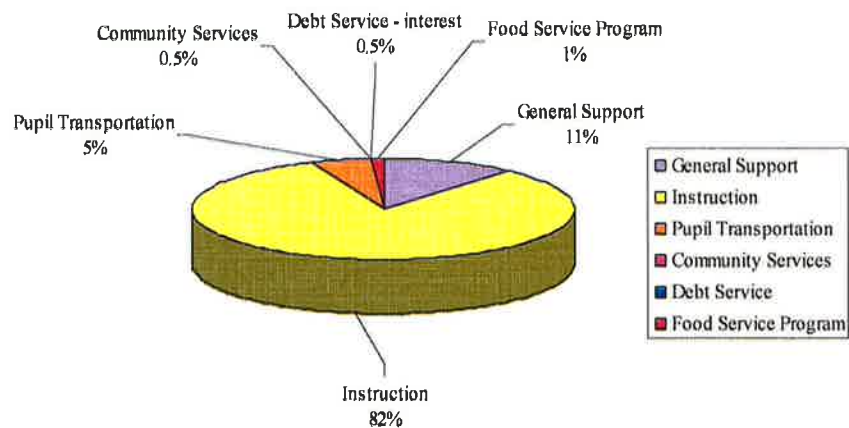


Table A-6: Expenses for Fiscal Year 2012 (See Tables A-4 and A-7)



**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**C. Governmental Activities**

Revenues for the District's governmental activities totaled \$111,049,087 while total expenses equaled \$108,745,718. 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 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
General Support	\$12,146,379	\$12,461,548	\$12,146,379	\$12,461,548
Instruction	88,905,158	88,019,906	85,897,070	85,132,960
Pupil Transportation	5,730,057	5,500,857	5,730,057	5,500,857
Community Service	75,834	59,568	75,834	59,568
Debt Service- Interest	514,965	583,242	514,965	583,242
Food Service Program	1,373,325	1,279,596	215,017	112,226
Total	<u>\$108,745,718</u>	<u>\$107,904,717</u>	<u>\$104,579,322</u>	<u>\$103,850,401</u>

- The cost of all governmental activities this year was \$108,745,718. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs financed some of the cost. (Statement of Activities and Changes in Net Assets, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$1,641,337. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$104,579,322 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3)

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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, 2012, the District's combined governmental funds reported a total fund balance of \$42,974,227 which is an increase of \$6,583,633 over the prior year.

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

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for Employee Benefit				
Accrued Liabilities	\$14,219,534	\$13,624,437	\$595,097	4%
Restricted for Retirement Contributions	16,178,989	10,248,424	5,930,565	58%
Restricted for Unemployment Insurance	250,457	250,144	313	0%
Assigned-Designated for				
subsequent year's expenditures	4,100,000	4,100,000	0	0%
Assigned for General Support	37,270	130,484	(93,214)	-71%
Assigned for Instruction	256,721	333,790	(77,069)	-23%
Unassigned for Tax Reduction	145,677	145,125	552	0%
Unassigned	4,433,063	4,333,364	99,699	2%
Total Fund Balance - General Fund	<u>\$39,621,711</u>	<u>\$33,165,768</u>	<u>\$6,455,943</u>	<u>19%</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)	Percentage Change
<b>School Lunch Fund</b>				
Nonspendable for Inventory	\$63,127	\$71,825	(\$8,698)	-12%
Assigned for School Lunch	368,030	423,331	(55,301)	-13%
Total Fund Balance - School Lunch Fund	<u>\$431,157</u>	<u>\$495,156</u>	<u>(\$63,999)</u>	<u>-13%</u>
<b>Debt Service Fund</b>				
Assigned for Debt Service	<u>\$1,048,898</u>	<u>\$1,047,849</u>	<u>\$1,049</u>	<u>0%</u>
Total Fund Balance - Debt Service Fund	<u>\$1,048,898</u>	<u>\$1,047,849</u>	<u>\$1,049</u>	<u>0%</u>
<b>Capital Projects Fund</b>				
Assigned for Capital Projects	<u>\$ 1,872,461</u>	<u>\$1,681,821</u>	<u>\$190,640</u>	<u>11%</u>
Total Fund Balance - Capital Projects Fund	<u>\$1,872,461</u>	<u>\$1,681,821</u>	<u>\$190,640</u>	<u>11%</u>
Total Fund Balance - All Funds	<u><u>\$42,974,227</u></u>	<u><u>\$36,390,594</u></u>	<u><u>\$6,583,633</u></u>	<u><u>18%</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. 2011-2012 Budget**

The District's General Fund adopted budget for the year ended June 30, 2012 was \$111,962,251. This amount was increased by encumbrances carried forward from the prior year in the amount of \$464,274, a donation in the amount of \$25,000, and a transfer from the EBALR reserve in the amount of \$965,283 which resulted in a final budget of \$113,416,808. The majority of the funding was property taxes and STAR revenue of \$101,337,751.

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

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

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Opening, Unassigned Fund Balance	\$4,333,364
Revenues Over Budget	363,889
Expenditures and Encumbrances Under Budget	11,327,620
Increase to Restricted for Employee Benefit Accrued Liability	(1,560,380)
Increase to Restricted for Retirement Contribution	(5,930,565)
Increase to Restricted for Unemployment Insurance	(313)
Increase to Unassigned for Tax Reduction	(552)
Assigned for 2012-2013 Budget	<u>(4,100,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$4,433,063</u></u>

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

The revenues over budget of \$363,889 were primarily in payments in lieu of taxes, charges for services and state aid, offset by the decrease in use of money and property (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$11,327,620 were primarily in central services, teaching-regular school, programs for children with handicapping conditions and employee benefits (see Supplemental Schedule #1 for detail).

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

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

### **A. Capital Assets**

The District paid for equipment and various building additions and renovations during the fiscal year 2012. 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, 2012**

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

Category	Fiscal Year 2012	Fiscal Year 2011	Increase Decrease	Percentage Change
Land	\$357,356	\$357,356	\$0	0%
Construction in Progress	1,709,561	900,201	809,360	90%
Buildings & Building Improvements	47,535,033	47,497,453	37,580	0%
Machinery and Equipment	3,345,990	3,222,590	123,400	4%
Subtotal	52,947,940	51,977,600	970,340	2%
Less: Accumulated Depreciation	20,736,098	19,771,053	965,045	5%
Total Net Capital Assets	<u>\$32,211,842</u>	<u>\$32,206,547</u>	<u>\$5,295</u>	<u>0%</u>

**B. Long-Term Debt**

At June 30, 2012, The District had total bonds payable of \$10,670,000. The bonds were originally issued for district-wide projects. The District had installment purchase debt for an equipment capital lease of \$552,176. The decrease in outstanding debt represents payments against principal. A summary of outstanding debt at June 30, 2012 and 2011 is as follows:

	2012	2011	Increase (Decrease)
Advance Refunding Bond	\$10,670,000	\$12,060,000	(\$1,390,000)
Installment Purchase Debt	552,176	741,952	(189,776)
Total	<u>\$11,222,176</u>	<u>\$12,801,952</u>	<u>(\$1,579,776)</u>

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

- A. The District issued \$12,000,000 in tax anticipation notes on August 30, 2012 maturing on June 21, 2013 for the following:

Amount	Rate	Premium
\$12,000,000	1.00%	\$74,160

- B. The general fund budget for the 2012-2013 school year was approved by the voters in the amount of \$114,468,464 of which \$103,569,364 will be raised by taxation, an increase of 2.20% over the prior year's tax levy. The 2012-2013 budget is an increase of 2.24% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C. The 2012-2013 budget is impacted by certain trends impacting school districts. These include increases in retirement contributions and health insurance costs.

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- D. 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 is 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.

- E. The "Common Sense Act of 2010" passed by the Nassau County Legislature on October 29, 2010 repealed the "County Guarantee" provision of the Nassau County Administrative Code which required the County to pay the costs of judgments, cancellations or credits of taxes for tax revenue received by towns, special districts and school districts. The effective date shall be with respect to assessment rolls that were finalized in April 2012 and thereafter. Nassau County school districts are working collaboratively to litigate against the Common Sense Act of 2010 and for the County to continue to pay for its errors in its assessment practices as is lawfully required.

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 ASSETS-GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2012**

**ASSETS**

Cash	
Unrestricted	\$44,732,533
Restricted	1,048,898
Receivables	
Taxes receivable	2,702,493
State and federal aid	1,860,141
Due from other governments	1,057,587
Due from fiduciary funds	110,068
Other	8,175
Inventories	63,127
Deferred charges	83,738
Prepaid expenditures	17,329
Capital assets, net	32,211,842
<b>TOTAL ASSETS</b>	<b>\$83,895,931</b>

**LIABILITIES**

Payables	
Accounts payable	\$1,765,337
Accrued liabilities	160,733
Retainage payable	32,800
Bond interest payable	194,234
Due to other governments	33,860
Due to teachers' retirement system	5,309,029
Due to employees' retirement system	735,983
Deferred credits	
Deferred revenue	4,706
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,425,000
Deferred amounts on refunding	(341)
Installment purchase debt	195,548
Compensated absences payable	700,000
Due and payable after one year	
Bonds payable	9,245,000
Deferred amounts on refunding	(2,072)
Installment purchase debt	356,628
Compensated absences payable	17,875,253
Net other postemployment benefits obligation payable	22,389,801
<b>TOTAL LIABILITIES</b>	<b>60,421,499</b>

**NET ASSETS**

Investment in capital assets, net of related debt	21,075,817
Restricted	31,697,878
Unrestricted	(29,299,263)

<b>TOTAL NET ASSETS</b>	<b>23,474,432</b>
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<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$83,895,931</b>
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**JERICHO UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants</b>	<b>Revenue and Changes in Net Assets</b>
<b>FUNCTIONS / PROGRAMS</b>				
General support	\$12,146,379			(\$12,146,379)
Instruction	88,905,158	\$1,540,230	\$1,467,858	(85,897,070)
Pupil transportation	5,730,057			(5,730,057)
Community services	75,834			(75,834)
Debt service- interest	514,965			(514,965)
Food Service program	1,373,325	984,829	173,479	(215,017)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$108,745,718</b>	<b>\$2,525,059</b>	<b>\$1,641,337</b>	<b>(\$104,579,322)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				\$97,400,419
Other tax items - including STAR reimbursement				4,089,996
Use of money & property				665,527
Forfeitures				8,179
Sale of property & compensation for loss				8,727
Miscellaneous				788,193
State sources				3,905,476
Medicaid reimbursement				16,174
<b>TOTAL GENERAL REVENUES</b>				<b>\$106,882,691</b>
<b>CHANGE IN NET ASSETS</b>				<b>2,303,369</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>				<b>21,171,063</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>				<b>\$23,474,432</b>

**JERICHO UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$41,465,658	\$774,928	\$469,372		\$2,022,575	\$44,732,533
Restricted				\$1,048,898		1,048,898
Receivables						
Taxes receivable	2,702,493					2,702,493
State and federal aid	631,227	1,218,464	10,450			1,860,141
Due from other governments	1,057,587					1,057,587
Due from other funds	2,177,089				38,662	2,215,751
Accounts receivable	5,464		2,711			8,175
Prepaid expenditures		17,329				17,329
Inventories			63,127			63,127
<b>TOTAL ASSETS</b>	<u>\$48,039,518</u>	<u>\$2,010,721</u>	<u>\$545,660</u>	<u>\$1,048,898</u>	<u>\$2,061,237</u>	<u>\$53,706,034</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Payables						
Accounts payable	\$1,596,354	\$10,233	\$2,773		\$155,976	\$1,765,336
Accrued liabilities	159,331		1,402			160,733
Retainage payable					32,800	32,800
Due to other governments	33,433		427			33,860
Due to other funds		1,995,782	109,901			2,105,683
Due to teachers' retirement system	5,309,029					5,309,029
Due to employees' retirement system	735,983					735,983
Deferred credits						
Deferred revenue	583,677	4,706				588,383
<b>TOTAL LIABILITIES</b>	<u>8,417,807</u>	<u>2,010,721</u>	<u>114,503</u>	<u>0</u>	<u>188,776</u>	<u>10,731,807</u>
<b>FUND BALANCE</b>						
Nonspendable			63,127			63,127
Restricted	30,648,980			1,048,898		31,697,878
Assigned	4,393,991		368,030		1,872,461	6,634,482
Unassigned	4,578,740					4,578,740
<b>TOTAL FUND BALANCE</b>	<u>39,621,711</u>	<u>0</u>	<u>431,157</u>	<u>1,048,898</u>	<u>1,872,461</u>	<u>42,974,227</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$48,039,518</u>	<u>\$2,010,721</u>	<u>\$545,660</u>	<u>\$1,048,898</u>	<u>\$2,061,237</u>	<u>\$53,706,034</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total Governmental Fund Balances	\$42,974,227
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets include those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$52,947,940	
Accumulated depreciation	<u>(20,736,098)</u>	32,211,842

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

Deferred charges	83,737
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Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

583,677

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

Bonds payable	(10,667,587)	
Accrued interest on bonds payable	(194,234)	
Installment purchase debt	(552,176)	
Net other postemployment benefits obligations payable	(22,389,801)	
Compensated absences payable	<u>(18,575,253)</u>	<u>(52,379,051)</u>

Total Net Assets	<u><u>\$23,474,432</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, 2012**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$97,400,419					\$97,400,419
Other tax items - including STAR reimbursement	4,089,996					4,089,996
Charges for services	1,509,626					1,509,626
Use of money and property	663,110		\$1,368	\$1,049		665,527
Forfeitures	8,179					8,179
Sale of property and compensation for loss	8,727					8,727
Miscellaneous	614,991					614,991
Interfund revenue	34,442					34,442
State sources	3,905,476	\$310,081	15,261			4,230,818
Federal sources	0	1,157,777	95,989			1,253,766
Medicaid reimbursement	16,174					16,174
Surplus food			62,229			62,229
Sales - food services			984,829			984,829
<b>TOTAL REVENUES</b>	<b>108,251,140</b>	<b>1,467,858</b>	<b>1,159,676</b>	<b>1,049</b>	<b>0</b>	<b>110,879,723</b>
<b>EXPENDITURES</b>						
General support	9,813,595					9,813,595
Instruction	62,799,795	1,645,904				64,445,699
Pupil transportation	5,402,183	54,688				5,456,871
Community service	53,558					53,558
Employee benefits	20,437,362		321,824			20,759,186
Debt service - principal				1,390,000		1,390,000
Debt service - interest	32,007			493,963		525,970
Cost of sales			1,041,851			1,041,851
Capital outlay					809,360	809,360
<b>TOTAL EXPENDITURES</b>	<b>98,538,500</b>	<b>1,700,592</b>	<b>1,363,675</b>	<b>1,883,963</b>	<b>809,360</b>	<b>104,296,090</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>9,712,640</b>	<b>(232,734)</b>	<b>(203,999)</b>	<b>(1,882,914)</b>	<b>(809,360)</b>	<b>6,583,633</b>
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in		232,734	140,000	1,883,963	1,000,000	3,256,697
Operating transfers (out)	(3,256,697)					(3,256,697)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,256,697)</b>	<b>232,734</b>	<b>140,000</b>	<b>1,883,963</b>	<b>1,000,000</b>	<b>0</b>
<b>CHANGE IN FUND BALANCE</b>	<b>6,455,943</b>	<b>0</b>	<b>(63,999)</b>	<b>1,049</b>	<b>190,640</b>	<b>6,583,633</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>33,165,768</b>	<b>0</b>	<b>495,156</b>	<b>1,047,849</b>	<b>1,681,821</b>	<b>36,390,594</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$39,621,711</b>	<b>\$0</b>	<b>\$431,157</b>	<b>\$1,048,898</b>	<b>\$1,872,461</b>	<b>\$42,974,227</b>

**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, 2012**

Net Change in Fund Balance	\$6,583,633
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

**Long-Term Revenue and Expense Differences**

In the Statement of Activities, certain operating expenses  
are measured by the the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the  
amount of financial resources used (essentially, the amounts actually paid).

Increase in compensated absences liability:	(633,744)
Increase in net other postemployment benefits obligation payable	(5,446,402)

Deferred Revenue - The Statement of Net Assets recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. Such deferred revenue increased by	203,806
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**Long-Term Debt Transactions**

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	1,390,000
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Repayment of installment purchase debt principal is an expenditure in the governmental fund, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	189,776
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Governmental funds report the issuance costs, premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization is	(12,162)
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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, 2011 to June 30, 2012 decreased by	23,166
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**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	970,340	
Depreciation expense	(965,044)	5,296

Changes in Net Assets of Governmental Activities	\$2,303,369
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**JERICO UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$96,517	\$772,637
<b>TOTAL ASSETS</b>	<u><u>\$96,517</u></u>	<u><u>\$772,637</u></u>
<b>LIABILITIES</b>		
Extraclassroom activity balance		\$209,485
Due to other funds		110,068
Other liabilities		453,084
<b>TOTAL LIABILITIES</b>	<u><u>\$0</u></u>	<u><u>\$772,637</u></u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$96,517</u>	
<b>TOTAL NET ASSETS</b>	<u><u>\$96,517</u></u>	

**JERICHO UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$24,299
Interest and earnings	321
<b>TOTAL ADDITIONS</b>	<u>24,620</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>31,950</u>
<b>TOTAL DEDUCTIONS</b>	<u>31,950</u>
<b>CHANGE IN NET ASSETS</b>	(7,330)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>103,847</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$96,517</u></u>

**JERICOHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A) Reporting entity**

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

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

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

**i) Extraclassroom Activity Funds**

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

**JERICOHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**B) Joint venture**

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

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

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

**C) Basis of presentation**

**i) District-Wide Financial Statements**

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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  
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ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

**Capital Projects Fund** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

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

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

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**D) Measurement focus and basis of accounting**

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E) Property taxes**

i) Calendar

Real property taxes are levied annually by the Board of Education no later than 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.

**F) Restricted resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the

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intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

**G) Interfund transactions**

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

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

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

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

**H) Estimates**

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

**I) Cash and cash equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Restricted cash is reported for cash balances from completed capital projects financed by bond, to be used for debt service only.

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**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 and prepaid items**

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

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

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

**L) Deferred Charges**

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

**M) Capital assets**

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

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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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

**N) Deferred revenue**

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

**O) Vested employee benefits**

i) Compensated absences

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

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

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

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

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

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**P) Other benefits**

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

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

**Q) Short-term debt**

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

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

**R) Accrued liabilities and long-term obligations**

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

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

**S) Equity Classifications**

i) District-Wide Financial Statements

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

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

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

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

ii) Fund Financial Statements

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 \$63,127.
- (2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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

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	General	Debt Service	Total
<u>Restricted for:</u>			
Employee Benefit Accrued Liability	\$ 14,219,534		\$ 14,219,534
Retirement Contributions	16,178,989		16,178,989
Unemployment Insurance	250,457		250,457
Debt Service		\$ 1,048,898	1,048,898
Total	<u>\$ 30,648,980</u>	<u>\$ 1,048,898</u>	<u>\$ 31,697,878</u>

Reserve for Employee Benefit Accrued Liability

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

Retirement Contribution Reserve

According to General Municipal Law §6-r, must be used for financing 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.

Restricted for Debt Service

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

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- (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, 2012.
- (4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has classified the following as assigned:

	General	School Lunch	Capital Projects	Total
<u>Assigned for:</u>				
Designated for Subsequent				
Year's Expenditures	\$ 4,100,000			\$ 4,100,000
General Support	37,270			37,270
Instruction	256,721			256,721
School Lunch		\$ 368,030		368,030
Capital Projects			\$ 1,872,461	1,872,461
Total	<u>\$ 4,393,991</u>	<u>\$ 368,030</u>	<u>\$ 1,872,461</u>	<u>\$ 6,634,482</u>

Designated for Subsequent Year's Expenditures

The amount of \$4,100,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2013.

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 offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance. The District has classified the following as unassigned:

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	General Fund
<u>Unassigned for:</u>	
Tax Reduction	\$ 145,677
Unassigned fund balance	4,433,063
Total	<u>\$ 4,578,740</u>

Tax Reduction Reserve

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

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. The District also contains an amount for a reserve for Tax Reduction that is excluded from the 4% limitation. Currently, the District has an unassigned fund balance that is at 3.87% of the District's budget for the general fund for the ensuing fiscal year.

Order of Use of Fund Balance

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

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**A) Total fund balances of governmental funds vs. net assets of governmental activities**

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four 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 Assets.

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

**JERICO UNION FREE SCHOOL DISTRICT  
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**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 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:

Donation	\$25,000
Employee Benefit Accrued Liability Reserve Appropriation	<u>965,283</u>
	<u><u>\$990,283</u></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 and do not represent expenditures or liabilities. These

**JERICO UNION FREE SCHOOL DISTRICT  
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commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A) Cash**

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

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

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

- 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 \$2,385,841 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$456,791. 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.

**JERICOHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 –RECEIVABLES**

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

	General	School Lunch	Special Aid	Total Governmental Funds
	<u>General</u>	<u>Lunch</u>	<u>Aid</u>	<u>Funds</u>
Taxes receivable				
Town of Oyster Bay	\$ 2,550,829			\$ 2,550,829
Town of North Hempstead	151,664			151,664
Total Taxes receivable	<u>2,702,493</u>	<u>-</u>	<u>-</u>	<u>2,702,493</u>
Due from state and federal				
Excess cost aid	376,689			376,689
BOCES aid receivable	243,889			243,889
Medicaid receivable	10,649			10,649
Lunch - federal		4,402		4,402
Lunch - state		6,048		6,048
Federal grants			513,060	513,060
State grants			705,404	705,404
Total Due from State and Federal	<u>631,227</u>	<u>10,450</u>	<u>1,218,464</u>	<u>1,860,141</u>
Due from other governments				
Tuition receivable	487,306			487,306
BOCES	253,073			253,073
Health services	193,792			193,792
Split line property taxes	15,359			15,359
Nassau county drug & alcohol grant	75,381			75,381
Medicare part D	32,676			32,676
Total Due from Other Governments	<u>1,057,587</u>	<u>-</u>	<u>-</u>	<u>1,057,587</u>
Accounts receivable				
Miscellaneous	5,464	2,711		8,175
Total accounts receivable	<u>5,464</u>	<u>2,711</u>	<u>-</u>	<u>8,175</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, 2012 were as follows:

	Beginning Balance	Additions	Adjustments/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$357,356			\$357,356
Construction in progress	900,201	\$809,360		1,709,561
Total capital assets not being depreciated	<u>1,257,557</u>	<u>809,360</u>	<u>-</u>	<u>2,066,917</u>
Capital assets that are depreciated:				
Building & building improvements	47,497,453	37,580		47,535,033
Machinery and equipment	3,222,590	123,400		3,345,990
Total capital assets being depreciated	<u>50,720,043</u>	<u>160,980</u>	<u>-</u>	<u>50,881,023</u>
Less accumulated depreciation:				
Building & building improvements	17,823,413	1,023,554	(389,024)	18,457,943
Machinery and equipment	1,947,640	330,515		2,278,155
Total accumulated depreciation	<u>19,771,053</u>	<u>1,354,069</u>	<u>(389,024)</u>	<u>20,736,098</u>
Total depreciable historical cost, net	<u>\$ 32,206,547</u>	<u>\$ (383,729)</u>	<u>\$ 389,024</u>	<u>\$ 32,211,842</u>

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

General Support	\$106,156
Instruction	800,986
Pupil Transportation	48,252
School Lunch	9,650
	<u>\$965,044</u>

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$2,177,089			\$3,256,697
Special aid fund		\$ 1,995,782	\$ 232,734	
School lunch fund		109,901	140,000	
Debt service fund			1,883,963	
Capital projects fund	38,662		1,000,000	
Total government activities	<u>2,215,751</u>	<u>2,105,683</u>	<u>3,256,697</u>	<u>3,256,697</u>
Fiduciary agency fund		110,068		
Totals	<u>\$2,215,751</u>	<u>\$2,215,751</u>	<u>\$3,256,697</u>	<u>\$3,256,697</u>

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

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

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

**NOTE 9 - SHORT-TERM DEBT**

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

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

Interest expense on short-term debt for the year was \$32,007.

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:	\$ 12,060,000	-	\$ 1,390,000	\$ 10,670,000	\$ 1,425,000
Less- deferred amounts on refunding	(2,754)		(341)	(2,413)	(341)
Installment purchase debt	741,952		189,776	552,176	195,500
Total bonds & installment debt payable	<u>12,799,198</u>	<u>0</u>	<u>1,579,435</u>	<u>11,219,763</u>	<u>1,620,200</u>
Other liabilities:					
Net other post employment benefits obligation	16,943,399	5,446,402		22,389,801	
Compensated absences	17,941,509	633,744		18,575,253	700,000
Total other liabilities	<u>34,884,908</u>	<u>6,080,146</u>	<u>0</u>	<u>40,965,054</u>	<u>700,000</u>
Total long-term liabilities	<u>\$47,684,106</u>	<u>\$6,080,146</u>	<u>\$1,579,435</u>	<u>\$52,184,817</u>	<u>\$2,320,200</u>

**JERICO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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	3.5 - 5%	\$10,670,000
				<u>\$10,670,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2013	\$ 1,425,000	\$ 441,225	\$ 1,866,225
2014	1,400,000	390,037	1,790,037
2015	1,435,000	327,912	1,762,912
2016	1,420,000	263,638	1,683,638
2017	1,430,000	203,956	1,633,956
2018-2020	3,560,000	230,089	3,790,089
	<u>\$ 10,670,000</u>	<u>\$ 1,856,857</u>	<u>\$ 12,526,857</u>

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

Fiscal Year Ended June 30,	Total
2013	\$ 341
2014	341
2015	341
2016	341
2017	341
2018 - 2020	708
	<u>\$ 2,413</u>

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	<u>Total</u>
Interest paid	\$493,963
Less interest accrued in the prior year	(217,401)
Plus interest accrued in the current year	194,234
Amortization of deferred charges	12,162
Total expense	<u>\$482,958</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 <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 195,548	\$ 13,891	\$ 209,439
2014	201,496	7,943	209,439
2015	155,132	1,946	157,078
	<u>\$ 552,176</u>	<u>\$ 23,780</u>	<u>\$ 575,956</u>

**NOTE 11 – PENSION PLANS**

**A) General information**

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

**B) Provisions and administration**

i) Teachers' Retirement System

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

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary or joined the Systems on or after January 1, 2010, who contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. For employees hired after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, 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 established annually for NYSTRS by the New York State Teachers' Retirement Board.

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
2011-2012	\$1,818,322	\$5,102,687
2010-2011	\$1,497,264	\$3,950,860
2009-2010	\$1,051,756	\$2,884,955

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

A) Plan Description

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

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**B) Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the District contributed \$1,174,053 to the plan. Plan members receiving benefits contributed 50-75% of the health insurance premium.

**C) Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan according to the valuation as of July 1, 2011, which is an update derived from the July 1, 2010 valuation, based on the fact that there were no material changes to any of the benefit packages, and of the cost sharing structures in the census:

Annual required contribution	\$ 6,885,065
Interest on net OPEB obligation	677,737
Adjustment to Annual Required Contribution	<u>(942,347)</u>
Annual OPEB cost (expense)	6,620,455
Contributions made	<u>(1,174,053)</u>
Increase in net OPEB obligation	5,446,402
Net OPEB obligation-beginning of year	<u>16,943,399</u>
Net OPEB obligation-end of year	<u><u>\$ 22,389,801</u></u>

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

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions &amp; Adjustments</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 6,575,100	\$ 1,001,719 *	15.2%	\$ 11,317,176 *
June 30, 2011	\$ 6,708,321	\$ 1,230,129	18.3%	\$ 16,943,399
June 30, 2012	\$ 6,620,454	\$ 1,174,053	17.7%	\$ 22,389,801

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

**D) Funded Status and Funding Progress**

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

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

**E) Actuarial Methods and Assumptions**

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

In the July 1, 2010 actuarial report prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 12 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years. The remaining amortization period at June 30, 2012 was 26 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.

**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, 2012 was \$14,850,803 with a discount rate of 4.0%. The Workers' Compensation Plan has assets of \$13,061,837 at June 30, 2012 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.

**JERICHO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**B) Operating Leases**

The District leases various specialty equipment under operating leases. Total expenditures for the fiscal year ended June 30, 2012 were approximately \$3,653. There are no minimum future operating lease payments remaining on these operating leases.

**C) Litigation**

As of June 30, 2012, management is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**D) Encumbrances**

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

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2012 were \$293,991. Significant encumbrances of \$179,280 were assigned to computer hardware, \$40,461 for equipment, \$35,450 for professional services.
- ii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2012 were \$268,168. Significant encumbrances of \$219,937 were assigned to the High School/Middle School Track project.

**NOTE 15- SUBSEQUENT EVENTS**

On August 30, 2012, the District issued Tax Anticipation Notes (TANs) in the amount of \$12,000,000 at a premium, which are due June 21, 2013 and bear an effective net interest cost of 0.24%.

**JERICO UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real Property Taxes	\$97,081,213	\$97,400,419	\$97,400,419	\$0
Other Real Property Tax Items	4,256,538	3,937,332	3,937,332	0
Payments Made in Lieu of Taxes	0	0	152,664	152,664
Charges for Services	1,304,500	1,304,500	1,509,626	205,126
Use of Money & Property	800,000	800,000	663,110	(136,890)
Forfeitures	10,000	10,000	8,179	(1,821)
Sale of Property & Compensation for Loss	20,000	20,000	8,727	(11,273)
Miscellaneous	340,000	365,000	401,158	36,158
MTA Reimbursement	250,000	250,000	213,833	(36,167)
Interfund Revenues	0	0	34,442	34,442
State Sources				
Basic Formula	3,047,966	3,047,966	1,516,264	(1,531,702)
Excess Cost Aid	0	0	1,591,701	1,591,701
Lottery Aid	100,000	100,000	76,192	(23,808)
BOCES Aid	387,034	387,034	456,791	69,757
Textbook Aid	180,000	180,000	183,663	3,663
Computer Software Aid	60,000	60,000	57,059	(2,941)
Library A/V Loan Program Aid	25,000	25,000	23,806	(1,194)
Federal Sources				
Medicaid Reimbursement	<u>0</u>	<u>0</u>	<u>16,174</u>	<u>16,174</u>
Other Financing Sources				
Transfers from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>107,862,251</b>	<b>107,887,251</b>	<b><u>\$108,251,140</u></b>	<b><u>\$363,889</u></b>
Assigned - Designated for Subsequent year's expenditures	4,100,000	4,100,000		
Appropriated Reserve	0	965,283		
Prior Year Encumbrances	<u>464,274</u>	<u>464,274</u>		
<b>TOTAL REVENUES &amp; APPROPRIATED FUND BALANCE</b>	<b><u>\$112,426,525</u></b>	<b><u>\$113,416,808</u></b>		

**Note to Required Supplementary Information**

Budget Basis of accounting

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

**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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
<b>EXPENDITURES</b>					
General Support					
Board of Education	\$64,400	\$80,400	\$67,303	\$0	\$13,097
Central Administration	491,243	491,243	476,079	0	15,164
Finance	1,217,935	1,292,950	1,179,523	28,950	84,477
Staff	868,303	902,292	815,008	7,841	79,443
Central Services	7,574,811	7,626,637	6,428,676	479	1,197,482
Special Items	1,212,478	1,172,378	847,006	0	325,372
Instructional					
Instruction, Adm. & Imp.	4,915,456	4,998,409	4,467,030	0	531,379
Teaching - Regular School	39,208,171	39,748,720	35,424,464	36,936	4,287,320
Programs for Children with					
Handicapping Conditions	16,328,547	16,313,960	15,206,157	3,585	1,104,218
Occupational Education	200,000	200,000	186,277	0	13,723
Instructional Media	2,812,002	3,002,654	2,459,746	184,003	358,905
Pupil Services	5,513,771	5,515,757	5,056,121	32,197	427,439
Pupil Transportation	5,935,544	5,935,544	5,402,183	0	533,361
Community Services	62,000	81,000	53,558	0	27,442
Employee Benefits	22,637,901	22,637,901	20,437,362	0	2,200,539
Debt Service - interest	160,000	160,000	32,007	0	127,993
<b>TOTAL EXPENDITURES</b>	<u>109,202,562</u>	<u>110,159,845</u>	<u>98,538,500</u>	<u>293,991</u>	<u>11,327,354</u>
Other Financing Uses					
Transfers to Other Funds	3,223,963	3,256,963	3,256,697	0	266
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$112,426,525</u>	<u>\$113,416,808</u>	<u>101,795,197</u>	<u>\$293,991</u>	<u>\$11,327,620</u>
Change in fund balance			6,455,943		
Fund balance - beginning			33,165,768		
Fund balance - ending			<u>\$39,621,711</u>		

**Note to Required Supplementary Information**

Budget Basis of accounting

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

**JERICHO UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2012**

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

**JERICHO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND USE OF UNASSIGNED FUND BALANCE- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$111,962,251
Add: Prior year's encumbrances	<u>464,274</u>
Original Budget	112,426,525
Budget Revisions:	<u>990,283</u>
Final Budget	<u><u>\$113,416,808</u></u>
Next year's voter approved budget	<u><u>\$114,468,464</u></u>

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

Assigned: Appropriated and Unassigned Fund Balance As of the beginning of the year	\$8,433,364
Less:	
Assigned fund balance used for the levy of taxes- Adopted Budget	<u>4,100,000</u>
Unassigned Fund Balance- As of the beginning of the year	<u><u>\$4,333,364</u></u>

**JERICHO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
AS OF JUNE 30, 2012**

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2012
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Springer Gym Roof	\$300,000	\$300,000	\$296,524	-	\$296,524	\$3,476	-	-	\$300,000	\$300,000	\$3,476
Pool Roof	375,000	375,000	346,455	-	346,455	28,545	-	-	375,000	375,000	28,545
Cantiague Roof	1,100,000	1,100,000	1,100,000	-	1,100,000	-	-	-	1,100,000	1,100,000	-
Middle School/High School Roof/Tennis Courts	5,200,000	5,200,000	5,200,000	-	5,200,000	-	-	1,043,097	4,156,903	5,200,000	-
Jackson Roof	1,550,000	1,550,000	900,200	62,605	962,805	587,195	-	-	1,550,000	1,550,000	587,195
Middle School/High School Track	980,000	980,000	-	570,673	570,673	409,327	-	-	980,000	980,000	409,327
Middle School/High School Tile	20,000	20,000	-	-	-	20,000	-	-	20,000	20,000	20,000
Robert Williams Elementary	500,000	500,000	-	176,082	176,082	323,918	-	-	500,000	500,000	323,918
District Wide Floor and Lighting Project	500,000	500,000	-	-	-	500,000	-	-	500,000	500,000	500,000
<b>TOTAL</b>	<b>\$10,525,000</b>	<b>\$10,525,000</b>	<b>\$7,843,179</b>	<b>\$809,360</b>	<b>\$8,652,539</b>	<b>\$1,872,461</b>	<b>-</b>	<b>\$1,043,097</b>	<b>\$9,481,903</b>	<b>\$10,525,000</b>	<b>\$1,872,461</b>

**JERICO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES  
COMPARED TO ST-3 DATA FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Property Taxes	A-1001	\$97,400,419	\$97,400,419
Non-Property Taxes	AT-1199	0	0
State Aid	AT-3999	3,905,476	3,905,476
Federal Aid	AT-4999	16,174	16,174
<b>TOTAL REVENUES</b>	AT-5999	\$108,251,140	\$108,251,140
<b>EXPENDITURES</b>			
General Support	AT-1999	\$9,813,595	\$9,813,595
Pupil Transportation	AT-5999	5,402,183	5,402,183
Debt Service-Principal	AT-9798.6	0	0
Debt Service-Interest	AT-9798.7	32,007	32,007
<b>TOTAL EXPENDITURES</b>	AT-9999	\$101,795,197	\$101,795,197

**JERICHO UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Capital assets, net</b>			\$32,211,842
<b>Add:</b>			
Unamortized bond issuance costs	\$83,738		
Short-term portion of deferred amounts on refunding	341		
Long-term portion of deferred amounts on refunding	<u>2,072</u>	86,151	
<b>Deduct:</b>			
Short-term portion of bonds payable	1,425,000		
Long-term portion of bonds payable	9,245,000		
Short-term portion of installment debt purchase	195,548		
Long-term portion of installment debt purchase	<u>356,628</u>	<u>11,222,176</u>	
<b>Investment in capital assets, net of related debt</b>			<u><u>\$21,075,817</u></u>

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

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jericho Union Free School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Jericho Union Free School District in a separate letter dated September 17, 2012.

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

*Cullen & Danowski, LLP*

September 17, 2012

