

**JERICO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

*The Board of Education
Jericho Union Free School District
Jericho, New York*

We have audited the accompanying financial statements of Jericho Union Free School District, (the District) as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Jericho Union Free School District as of June 30, 2007, and the results of its operations and changes in its fund balance 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 a report dated September 10, 2007 on our consideration of the Jericho Union Free School District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, grants and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and should be read in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Pappas & Company

September 10, 2007
Commack, New York

JERICHO UNION FREE SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the Jericho Union Free School District offers readers of our financial statements this narrative discussion, overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- District-wide net assets at June 30, 2007 were \$19,803,454. Net assets reflect the difference between all assets of the District (including capital assets net of depreciation) and all liabilities, both short-term and long-term. (Exhibit 1 in the Financial Statements section)
- The District's overall revenue for all funds in 2006-07 was \$91,994,309 which surpassed expenditures by \$2,246,669 thus increasing the District's **net assets**. (Exhibit 2 - Overall revenue is the sum of general revenues, charges for services and operating grants).
- The District decreased its outstanding long-term serial bond debt by \$1,050,000. This decrease consisted of a principal payment of \$1,200,000 and an increase in long-term debt on refunded bonds of \$150,000. The refunding of bonds is described in more detail in Note 6 to the Basic Financial Statements and results in overall savings to the District.
- The District continues to offer all programs and maintains the maximum fund balances allowed by state law.
- The rising New York State rate of contribution for Employee's Retirement and Teacher's Retirement benefits continues to impact the total expenditures of the school district. Other health related benefit costs have also risen and have impacted the cost of providing the educational program.

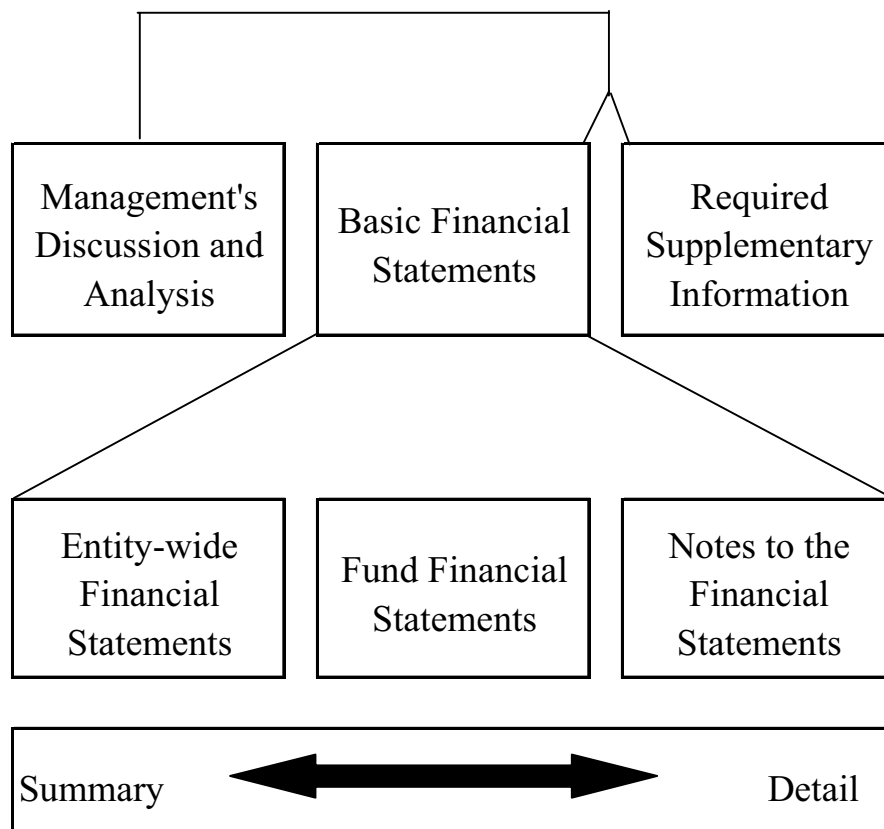
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required 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 District's operations in more detail than the district-wide statements. Government Fund statements tell how basic services were financed in the short term and what remains for further spending.
- Fiduciary Funds statements provide financial information where the District acts as trustee or agent for the benefit of others

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



Following is a chart that further describes the major features of the District-Wide Statements and the Fund Financial Statements:

Table A-2			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education & building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs & student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
	Accrual acctg. & Economic resources focus	Modified accrual accounting & current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; 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

District-wide Statements

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

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 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
- 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 imposed by law through constitutional provisions or enabling legislation such as Capital Projects and Debt Service.

- *Unrestricted net assets* are net assets that do not meet any of the above restrictions

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding 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 District's 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is found in the two Exhibits that provide a reconciliation to explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Equity.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the 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 district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets

The District's combined total assets were larger on June 30, 2007 than they were the year before. However, the increase was nominal. (See Table A-3)

Table A-3
Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2007	2006	
Current and Other Assets	\$ 39,042	\$ 38,120	
Capital Assets	<u>27,721</u>	<u>28,329</u>	
Total Assets	<u>66,763</u>	<u>66,449</u>	<u>.47%</u>
Current Liabilities	19,244	20,987	
Long-term Liabilities	<u>27,716</u>	<u>27,905</u>	
Total Liabilities	<u>46,960</u>	<u>48,892</u>	<u>(3.95)%</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,146	9,705	
Restricted	1,129	1,075	
Unrestricted	<u>8,528</u>	<u>6,777</u>	
Total Net Assets	<u>\$ 19,803</u>	<u>\$ 17,557</u>	<u>12.79%</u>

Current assets increased from 2006 to 2007 primarily due to State and Federal Aid Receivables. Capital assets decreased by \$608,568. This was attributable to depreciation exceeding additions. Current liabilities decreased in the amount of tax anticipation notes outstanding, with additions to liabilities for accruals and the amount due for teachers' retirement. Non-current liabilities changed by an insignificant amount.

- Capital assets valued here are net of depreciation.
- Liabilities include all school district debt and long-term compensated absences.
- Net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, buildings and improvements, and furniture and equipment, etc. and subtracting accumulated depreciation and related bond debt.
- Restricted assets include debt service.
- Unrestricted net assets reflect the net value after all capitalized assets are depreciated, all current and long-term liabilities are valued, and all restricted funds are deducted.

Change in Net Assets

The District's total fiscal year 2007 revenues totaled \$91,994,309 (See Table A-4). Property taxes and state formula aid accounted for most of the District's revenue. (See charts at Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$89,747,648 for fiscal year 2007. These expenses are predominately related to general instruction and caring for (pupil services) and transporting students. (See charts at Table A-6).

Table A-4
Changes in Net Assets from Operating Results (in thousands of dollars)

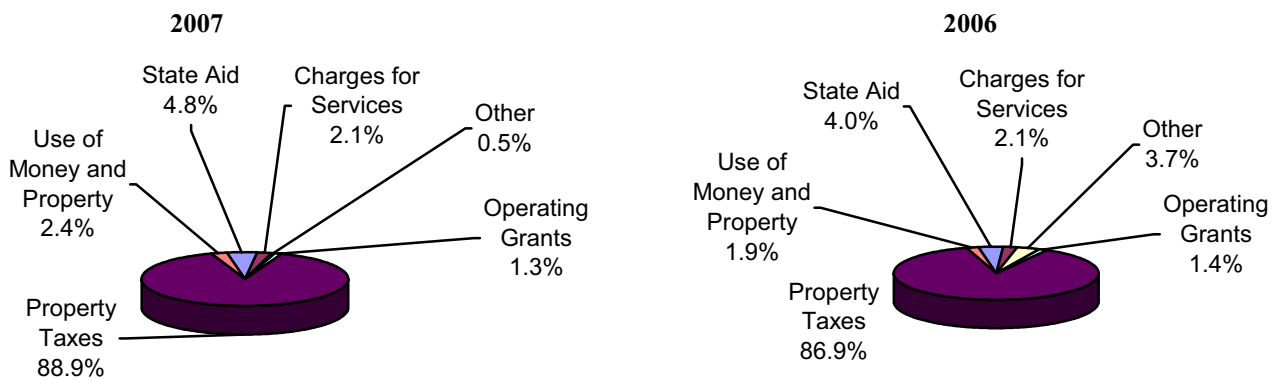
	Governmental Activities		Total Percentage Change
	2007	2006	
Revenues			
Program Revenues			
Charges for Services	\$ 1,931	\$ 1,845	
Operating Grants	1,149	1,187	
General Revenues			
Property Taxes	81,820	76,310	
State Formula Aid	4,396	3,507	
Use of Money and Property	2,241	1,713	
Other	457	3,247	
Total Revenues	<u>91,994</u>	<u>87,809</u>	<u>4.77%</u>
Expenses			
General Support	13,688	13,216	
Instruction	67,901	61,191	
Pupil Transportation	4,342	3,988	
Debt Interest	1,379	1,470	
Depreciation	1,140	1,187	
Other	1,297	1,160	
Total Expenses	<u>89,747</u>	<u>82,212</u>	<u>9.16%</u>
Increase In Net Assets:	<u>\$ 2,247</u>	<u>\$ 5,597</u>	

The above table reflects the Change in Net Assets as a result of the 2006-07 fiscal year. The change in net assets was a decrease of \$3,349,760 over the prior year. In the prior period the sale of real estate served to increase the position.

Revenues

- Property taxes and State aid account for most of the District’s revenues, contributing approximately 93.7 cents of every dollar raised.
- Charges for Services include tuition, fees and related services.
- Operating Grants are state and federal funds received for school lunch reimbursement and other programs.
- Other Revenues include building rental, interest earned, and miscellaneous income. (In 2006, the sale of a parcel of real estate accounted for a significant increase over 2007.)

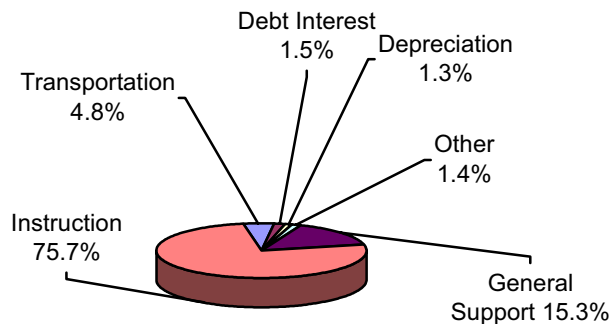
**Table A-5
Source of Revenues for Governmental Activities Fiscal Year**



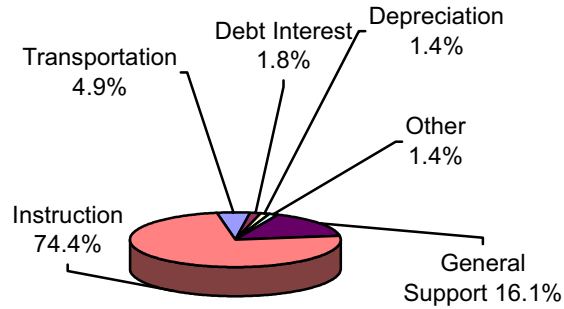
Expenses

The District’s expenses are predominantly related to instructing, caring for (pupil services) and transporting students. The District’s general support activities accounted for 15.3% of total costs.

**Table A-6
Expenses for Fiscal Year 2007**



Expenses for Fiscal Year 2006



Governmental Activities

The recent good health of the District’s finances can be credited to:

- Leadership of the District’s Board of Education
- Community support of the School District’s budget
- Effective management of the School District’s resources

Table A-7 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 (in thousands of dollars)**

	<u>2007</u>		<u>2006</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
General Support	\$ 13,688	\$ 13,688	\$ 13,216	\$ 13,216
Instruction	67,901	65,964	61,191	59,220
Pupil Transportation	4,342	4,342	3,988	3,988
Debt Interest	1,379	1,379	1,470	1,470
Other *	2,437	1,294	2,347	1,287
Total	\$ 89,747	\$ 86,667	\$ 82,212	\$ 79,181

* Includes community services, school lunch program and depreciation

- The users of the District’s programs financed \$1,930,993 of the cost by “charges for services.”

- Operating grants financed part of instruction \$1,031,173 and the school lunch program \$118,061.

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' projects 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Although the District's final budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show an operating surplus.

- Actual Revenues were higher than anticipated due to an increase in state aid from the time of budget adoption, higher revenue than anticipated from the "use of money and property", and a modest increase in revenue from property taxes.
- Actual total expenditures were below budget.
- The District experienced increases in employee benefits for state retirement plans and for health insurance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 2007, the District had invested in a broad range of capital assets, including land, buildings and improvements, and furniture and equipment (including technology equipment and transportation equipment.) Total depreciation expense for the year was \$1,139,900 and additions to equipment and buildings (\$406,702) and construction-in-progress (\$124,630) amounted to \$531,332. Additional information can be found in Note 4 to the Basic Financial Statements.

In May 2007, the voters of the District approved an expenditure of funds for improvements to the roof of the High School/Middle School and to expend, including ancillary and related costs, a total not to exceed \$4,200,000. The project will not require the levy of any tax. The funds in the Reserve for Tax Reduction (proceeds of sale of the Nike Property) will provide the majority of the funds in excess of three million dollars with the balance provided from the State of New York (“EXCEL”) aid program.

Table A-8
Capital Assets (net of depreciation, in thousands of dollars)

	Fiscal Year	
	2007	2006
Land	\$ 357	\$ 357
Construction-in-Progress	124	-
Buildings/ Improvements	26,848	27,226
Furniture, Equipment, etc.	392	746
Total Net Capital Asset	\$ 27,721	\$ 28,329

Long-Term Debt

At year-end, the District had \$29,625,000 in general obligation bonds and other long-term debt outstanding. More detailed information is presented in Note 6 to the Basic Financial Statements.

Table A-9
Outstanding Long-Term Debt (in thousands of dollars)

	Fiscal Year	
	2007	2006
Bonds Payable	\$ 17,575	\$ 18,625
Compensated Absences	12,050	10,990
Total	\$ 29,625	\$ 29,615

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could affect its financial health in the future:

- For a number of years the potential of further property development in the Jericho Union Free School District was nonexistent. However in June 2003 an agreement was reached between developers and environmentalists on the sale and use of the Underhill property. Approximately 100 homes have been built on 31 acres of land. The Underhill property is located east of Route 107 and within the boundaries of the school district. As part of the compromise the developer has agreed to sell 40% of the homes to individuals age 55 and older to lessen the impact on the school district. About 95% of the Hamlet Estate homes have been sold. In addition there are several other developments either approved or under construction. To this date enrollment of students has not impacted the size of any particular grade level.
- Additional resources may be necessary to fund programs that will meet the requirements of the NYS Board of Regents Higher Learning Standards and the requirements of the Federal No Child Left Behind Legislation.
- Expiration dates for labor agreements are as follows:
 - Civil Service Employees Association – June 30, 2007
 - Jericho Teachers Association – June 30, 2007
 - Jericho Tutor Association – June 30, 2011
 - Administrators Association – June 30, 2008
 - Curriculum Associates Association – June 30, 2008
- The proposed budget for the fiscal year 2007-2008 in the amount of \$95,683,737 was approved by the residents. This budget represents a 6.9 percent increase over last year's budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, contact Dr. Joan L. Colvin, Assistant Superintendent – Business Affairs, 99 Cedar Swamp Road, Jericho, New York, 11753-1202, (516) 203-3600 extension 3214.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets:	
Cash	\$ 37,027,185
Accounts Receivable	11,413
Due From Other Governments	69,457
State and Federal Aid Receivable	1,726,520
Inventories	64,474
Deferred Charges	142,842
Total Current Assets	<u>39,041,891</u>
Non-Current Assets:	
Land, Buildings and Equipment (net)	27,721,158
Total Assets	<u>\$ 66,763,049</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,031,273
Accrued Interest Payable	229,765
Tax Anticipation Notes Payable	11,500,000
Bonds Payable -Due Within One Year	1,405,000
Due To Other Governments	72,853
Due To Teachers' Retirement System	4,254,006
Due To Employees' Retirement System	250,690
Compensated Absences	500,000
Total Current Liabilities	<u>19,243,587</u>
Non-Current Liabilities:	
Bonds Payable	16,165,882
Compensated Absences	11,550,126
Total Non-Current Liabilities	<u>27,716,008</u>
Total Liabilities	<u>46,959,595</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	10,146,158
Restricted	1,128,964
Unrestricted	8,528,332
Total Net Assets	<u>\$ 19,803,454</u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2007

	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
<u>FUNCTIONS/PROGRAMS</u>				
General Support	\$ 13,687,846	\$ -	\$ -	\$ (13,687,846)
Instruction	67,901,014	905,282	1,031,173	(65,964,559)
Pupil Transportation	4,342,040	-	-	(4,342,040)
Community Service	42,915	-	-	(42,915)
Debt Interest and Amortization Re: Refunding	1,379,080	-	-	(1,379,080)
Depreciation (Unallocated)	1,139,900	-	-	(1,139,900)
School Lunch Program	<u>1,254,845</u>	<u>1,025,711</u>	<u>118,061</u>	<u>(111,073)</u>
Total Functions and Programs	<u>\$ 89,747,640</u>	<u>\$ 1,930,993</u>	<u>\$ 1,149,234</u>	<u>\$ (86,667,413)</u>
 <u>GENERAL REVENUES</u>				
Real Property Taxes				\$ 78,413,949
Other Tax Items Including STAR Reimbursement				3,405,718
Use of Money and Property				2,241,114
Sale of Property and Compensation for Loss				21,736
Forfeitures				8,832
State Sources				4,396,369
Interfund Revenue				27,090
Miscellaneous				<u>399,274</u>
Total General Revenues				<u>88,914,082</u>
Change in Net Assets				2,246,669
Total Net Assets - Beginning of Year				<u>17,556,785</u>
Total Net Assets - End of Year				<u>\$ 19,803,454</u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash	\$ 34,953,485	\$ 116,090	\$ 427,472	\$ 1,128,964	\$ 401,174	\$ 37,027,185
State and Federal Aid Receivable	737,035	983,910	5,575	-	-	1,726,520
Due From Other Funds	1,226,145	-	-	-	-	1,226,145
Due From Other Government:	69,457	-	-	-	-	69,457
Accounts Receivable	6,019	-	5,394	-	-	11,413
Inventories	-	-	64,474	-	-	64,474
Total Assets	<u>\$ 36,992,141</u>	<u>\$ 1,100,000</u>	<u>\$ 502,915</u>	<u>\$ 1,128,964</u>	<u>\$ 401,174</u>	<u>\$ 40,125,194</u>
LIABILITIES						
Accounts Payable and Accrued Liability	\$ 996,859	-	\$ 34,414	-	-	\$ 1,031,273
Tax Anticipation Notes Payable	11,500,000	-	-	-	-	11,500,000
Due To Other Funds	-	1,100,000	-	-	126,145	1,226,145
Due To Other Governments	72,546	-	307	-	-	72,853
Due To Teachers' Retirement System	4,254,006	-	-	-	-	4,254,006
Due To Employees' Retirement System	225,690	-	25,000	-	-	250,690
Compensated Absences	-	-	50,000	-	-	50,000
Total Liabilities	<u>\$ 17,049,101</u>	<u>\$ 1,100,000</u>	<u>\$ 109,721</u>	<u>\$ -</u>	<u>\$ 126,145</u>	<u>\$ 18,384,967</u>
FUND BALANCES						
Fund Balances:						
Reserved:						
Reserve for Encumbrance:	2,640,457	-	-	-	24,202	2,664,659
Reserve for Employee Benefit Accrued Liability	8,829,728	-	-	-	-	8,829,728
Reserve for Retirement Contribution	600,000	-	-	-	-	600,000
Reserve for Tax Reductor	3,182,452	-	-	-	-	3,182,452
Unreserved:						
Designated For Subsequent Years Expenditure	2,300,000	-	-	-	-	2,300,000
Undesignated	2,390,403	-	393,194	1,128,964	250,827	4,163,388
Total Fund Balance	<u>\$ 19,943,040</u>	<u>\$ -</u>	<u>\$ 393,194</u>	<u>\$ 1,128,964</u>	<u>\$ 275,029</u>	<u>\$ 21,740,227</u>
Total Liabilities and Fund Balance	<u>\$ 36,992,141</u>	<u>\$ 1,100,000</u>	<u>\$ 502,915</u>	<u>\$ 1,128,964</u>	<u>\$ 401,174</u>	<u>\$ 40,125,194</u>

JERICHO UNION FREE SCHOOL DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total Governmental Fund Balances	\$	21,740,227
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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 cost are expensed annually over their useful lives.

Original cost of capital assets	\$ 44,333,805	
Accumulated depreciation	<u>(16,612,647)</u>	27,721,158

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		142,842
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	17,570,882	
Accrued interest on bonds payable	229,765	
Compensated absences	<u>12,000,126</u>	<u>(29,800,773)</u>

Total Net Assets	\$	<u><u>19,803,454</u></u>
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JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2007

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
Revenues:						
Real Property Taxes	\$ 78,413,949	-	-	-	-	\$ 78,413,949
Other Tax Items (including STAR reimbursement)	3,405,718	-	-	-	-	3,405,718
Charges for Services	905,282	-	-	-	-	905,282
Use of Money and Property	2,164,197	-	23,137	53,780	-	2,241,114
Forfeitures	8,832	-	-	-	-	8,832
Sale of Property and Compensation for Loss	21,736	-	-	-	-	21,736
Miscellaneous	399,274	-	-	-	-	399,274
Interfund Revenues	27,090	-	-	-	-	27,090
State Sources	4,396,369	352,203	18,434	-	-	4,767,006
Federal Sources	-	678,970	72,080	-	-	751,050
Surplus Foods	-	-	27,547	-	-	27,547
Sales-School Lunch and Milk Program	-	-	1,025,711	-	-	1,025,711
Total Revenues	89,742,447	1,031,173	1,166,909	53,780	-	91,994,309
Expenditures:						
Current:						
General Support	8,788,367	-	-	-	-	8,788,367
Instruction	55,146,138	1,025,145	-	-	-	56,171,283
Pupil Transportation	4,315,020	43,507	-	-	-	4,359,127
Community Services	42,915	-	-	-	-	42,915
Employee Benefits	15,638,748	37,822	226,784	-	-	15,903,354
Cost of Food Sales	-	-	1,028,061	-	-	1,028,061
Other	-	7,118	-	-	-	7,118
Debt Service:						
Interest	605,398	-	-	949,313	-	1,554,711
Principal	-	-	-	1,200,000	-	1,200,000
Refunding Bond Issuance Cost	-	-	-	145,797	-	145,797
Capital Outlay	-	-	-	-	399,971	399,971
Total Expenditures	84,537,186	1,113,592	1,254,845	2,295,110	399,971	89,600,704
Excess (Deficiency) of Revenues Over Expenditures	5,205,261	(82,419)	(87,936)	(2,241,330)	(399,971)	2,393,605
Other Financing Sources (Uses):						
Refunding Bonds Issued	-	-	-	14,400,000	-	14,400,000
Issuance Premium	-	-	-	636,482	-	636,482
Payment to Refund Bond Escrow Agent	-	-	-	(14,890,685)	-	(14,890,685)
Transfer In	-	82,419	140,000	2,149,313	375,000	2,746,732
Transfers Out	(2,746,732)	-	-	-	-	(2,746,732)
Total Financing Sources (Uses)	(2,746,732)	82,419	140,000	2,295,110	375,000	145,797
Excess Revenues and Financing Sources Over Expenditures and Other Uses	2,458,529	-	52,064	53,780	(24,971)	2,539,402
Fund Balance, Beginning	17,484,511	-	341,130	1,075,184	300,000	19,200,825
Fund Balance, Ending	19,945,040	-	393,194	1,128,964	275,029	21,740,227

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2007

Excess of Revenues and Other Sources Over Expenditures and Other Use:	\$ 2,539,402
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities.	
Capital outlays	\$ 531,332
Depreciation expense	<u>1,139,900</u> (608,568)
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.	1,200,000
Governmental funds report the issuance costs, premiums, discounts, and similar items on the refund bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of such amortization is	(3,040)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and that requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2006 to June 30, 2007 decreased by	178,671
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used	<u>(1,059,796)</u>
Changes in Net Assets of Governmental Activities	<u>\$ 2,246,669</u>

See Accompanying Notes to the Basic Financial Statements

JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$ 104,974	\$ 291,674
Total Assets	<u>104,974</u>	<u>291,674</u>
LIABILITIES		
Extraclassroom Activity Balances	-	197,430
Other Liabilities	-	94,244
Total Liabilities	<u>-</u>	<u>291,674</u>
NET ASSETS		
Reserved for Scholarships	104,974	
Total Net Assets	<u>\$ 104,974</u>	

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Funds</u>
ADDITIONS	
Interest Income	\$ <u>4,906</u>
Total Additions	<u>4,906</u>
DEDUCTIONS	
Scholarships	<u>3,847</u>
Total Deductions	<u>3,847</u>
Change in Net Assets	1,059
Net Assets Beginning	103,915
Net Assets Ending	\$ <u><u>104,974</u></u>

See Accompanying Notes to the Basic Financial Statements.

Note 1 – Summary of certain significant accounting policies:

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A) Reporting entity:

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

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

Extraclassroom Activity Funds

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

B) Joint Venture:

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2007, the District was billed \$2,213,037 for administrative and program costs. Financial statements for BOCES are available from the Nassau BOCES Administrative Offices, 71 Clinton Road, P.O. Box CS9195, Garden City, New York, 11530-4757

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are 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 direct expenses and program 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. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund financial statements:

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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.

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

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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the subsequent 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) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. 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 deposit not covered by FDIC insurance. Investments are stated at fair value.

F) Property taxes:

Real property taxes are levied annually by the Board of Education no later than August. Taxes are due in equal installments in October and April.

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

G) Accounts Receivable:

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

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

H) 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 inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

I) Due to/from other funds:

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

J) Capital assets:

Capital assets are reported at actual cost where available. In certain cases, historical costs have been estimated based on appraisals conducted by an independent appraisal company. Donated assets are reported at estimated fair market value at the time received.

The District's capitalization policy is as follows: For all assets not acquired by debt proceeds, the dollar value of any single item for inclusion in the fixed assets accounts shall be \$5,000. However, computer and telecommunications equipment shall be capitalized if cost is \$1,000 or more. This policy is newly adopted by the Board of Education with regard to computer and telecommunications equipment which previously had been capitalized regardless of cost.

	Depreciation Method	Estimated Useful Life
Buildings/Improvements	SL	20/50
Furniture	SL	10
Equipment/Computers	SL	5/10
Transportation Equipment	SL	8

The District has set residual values for Buildings/Improvements.

K) Vested employee benefits:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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 health insurance coverage and survivor benefits for retired employees and their survivors. 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 cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure, \$890,775 in the General fund. Currently 207 retirees meet those eligibility requirements.

L) Budgetary procedures and budgetary accounting:

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:

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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. 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. No supplemental appropriations occurred during the year. However, the Board did approve transfers between line items for the General Fund in the amount of \$3,570,274 during fiscal 2007.

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.

Special Revenue Funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets.

M) Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

N) Deferred revenue:

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

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

O) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

P) Fund Balance - Reserves:

The following reserves are part of the District's fund balance:

- Reserve for Encumbrances – represents the amount of commitments for the expenditures of monies at the end of the fiscal year.
- Reserve for Employee Benefit Accrued Liability- used to reserve funds 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. The reserve is accounted for in the General Fund.
- Reserve for Tax Reduction – used for the gradual use of proceeds from the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

Note 2 – Stewardship and compliance:

The District's unreserved undesignated fund balance was not in excess of the New York State Real Property Tax Law (1318) limit, which restricts it to an amount not greater than 3% of District's budget for the upcoming school year.

Note 3 – Cash, Investments and Custodial Risk:

The District's investment policies are governed by State statutes. All District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 school districts.

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement #40 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 in the District's name; or
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end of:

- (1) \$ 0
- (2) \$ 43,935,525
- (3) \$ 0

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments dominated in foreign currency, and is not exposed to foreign currency risk.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Note 4 – Capital assets:

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital Assets That Are Not Depreciated:				
Land	\$ 357,144	\$ -	\$ -	\$ 357,144
Construction in Progress	<u>-</u>	<u>124,630</u>	<u>-</u>	<u>124,630</u>
Total Nondepreciable Cost	<u>357,144</u>	<u>124,630</u>	<u>-</u>	<u>481,774</u>
Capital Assets That Are Depreciated:				
Buildings/Improvements	40,241,266	301,932	-	40,543,198
Furniture and Equipment, etc.	<u>3,892,143</u>	<u>104,770</u>	<u>688,080</u>	<u>3,308,833</u>
Total Depreciable Cost	<u>44,133,409</u>	<u>406,702</u>	<u>688,080</u>	<u>43,852,031</u>
Less:				
Accumulated Depreciation:				
Buildings/Improvements	13,014,959	680,418	-	13,695,377
Furniture and Equipment, etc.	<u>3,145,868</u>	<u>459,482</u>	<u>688,080</u>	<u>2,917,270</u>
Total Accumulated Depreciation	<u>16,160,827</u>	<u>1,139,900</u>	<u>688,080</u>	<u>16,612,647</u>
Capital Assets - NET	\$ <u>28,329,726</u>	\$ <u>(608,568)</u>	\$ <u>-</u>	\$ <u>27,721,158</u>

Note 5– Short-term debt:

The District may issue Tax Anticipation Notes (TANs), 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 TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

TANS	Beginning Balance	Issued	Redeemed	Ending Balance
Maturing 6/22/07 at rates ranging from 3.61-4.50%	\$ 14,000,000		\$ 14,000,000	
Maturing 6/20/08 at rates ranging from 3.61-4.00%		11,500,000		11,500,000
	<u>\$ 14,000,000</u>	<u>\$ 11,500,000</u>	<u>\$ 14,000,000</u>	<u>\$ 11,500,000</u>

Note 6 – Long-term debt:

During the 2007 fiscal year, the District issued \$14,400,000 of non-callable refunding bonds with interest ranging from 3.5% to 5.0% depending on maturity. The proceeds were used to advance refund \$8,125,000 of 8/1/99 serial bonds with a maturity of 2019 and bearing interest at rates ranging between 5.00% and 5.10%, depending on maturity and \$6,125,000 of 3/1/2000 serial bonds with a maturity of 2018 and bearing interest at rates ranging between 5.50% and 5.60%, depending on maturity.

The net proceeds of \$14,890,685 (representing an amount after receipt of a premium in the amount of \$636,482. and payment of \$145,797 in underwriting fees and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future payments. On August 1, 2008, the trustee will call the 1999 Bonds maturing in the years 2009-2019 and pay them off in full, using proceeds from the sale of the 2007 Refunding Bonds. On August 1, 2009 the trustee will call the 2000 Bonds maturing in the years 2010-2018 and pay them off in full, using proceeds from the sale of the 2007 Refunding Bonds.

The reacquisition price (amount put in escrow) exceeded the net carrying amount of the old debt by \$640,685. This amount reduced by the premium received on refunding, \$636,482, is netted against the new debt and amortized over the remaining life of the refunded debt. The present value of the economic gain on the refunding was \$764,374 as computed by the underwriter.

At June 30, 2007, \$14,250,000 of outstanding serial bonds is considered defeased.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

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

	<u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u>	<u>One Year</u>
Government activities:					
Bonds payable	\$ 18,625,000	\$ 14,400,000	\$ 15,450,000	\$ 17,575,000	\$ 1,405,000
Less-Deferred Amounts on Refunding	<u>-</u>	<u>(4,203)</u>	<u>(85)</u>	<u>(4,118)</u>	<u>-</u>
	<u>18,625,000</u>	<u>14,395,797</u>	<u>15,449,915</u>	<u>17,570,882</u>	<u>1,405,000</u>
Other Liabilities:					
Compensated Absences	<u>10,990,330</u>	<u>1,672,401</u>	<u>612,605</u>	<u>12,050,126</u>	<u>500,000</u>
Total Long-term Liabilities	<u>\$ 29,615,330</u>	<u>\$ 16,068,198</u>	<u>\$ 16,062,520</u>	<u>\$ 29,621,008</u>	<u>\$ 1,905,000</u>

Details relating to serial bonds outstanding at June 30, 2007 all of which relate to bonds which were issues for capital improvements are as follows:

<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
8/1/99	2009	5.000	\$ 1,325,000
3/1/00	2010	5.500	1,850,000
3/27/07	2020	3.500-5.00	14,400,000
			<u>\$ 17,575,000</u>

Serial bonds outstanding will mature in installments, including interest as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,405,000	652,323	2,057,323
2009	1,365,000	676,300	2,041,300
2010	1,365,000	608,950	1,973,950
2011	1,380,000	549,363	1,929,363
2012	1,390,000	493,962	1,883,962
2013-2017	7,110,000	1,626,769	8,736,769
2018-2020	3,560,000	230,088	3,790,088
	<u>\$ 17,575,000</u>	<u>\$ 4,837,755</u>	<u>\$ 22,412,755</u>

Note 7 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,226,145	\$ -	\$ -	\$ 2,746,732
Special Aid Fund	-	1,100,000	82,419	-
School Lunch Fund	-	-	140,000	-
Debt Service Fund	-	-	2,149,313	-
Capital Funds	-	126,145	375,000	-
Total Government Activities	<u>1,226,145</u>	<u>1,226,145</u>	<u>2,746,732</u>	<u>2,746,732</u>
Totals	<u>\$ 1,226,145</u>	<u>\$ 1,226,145</u>	<u>\$ 2,746,732</u>	<u>\$ 2,746,732</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

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 8- Pension plans:

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

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

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, 15th Floor Billing Unit, Albany, New York 12244.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2004 - 2005	2,522,588	1,134,320
2005 - 2006	2,776,307	1,153,980
2006 - 2007	3,507,000	767,066

Note 9 – Contingent liabilities:

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.

Note 10 – Risk management:

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

JERICHO UNION FREE SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2007

<u>REVENUES</u>	Original Budget	Revised Budget	Actual Revenues	Over (Under) Budget
Local Sources				
Real Property Taxes	\$ 77,983,037	\$ 77,983,037	\$ 78,413,949	\$ 430,912
Other Tax Items (including STAR reimbursement)	3,405,718	3,405,718	3,405,718	-
Charges for Services	1,211,700	1,211,700	905,282	(306,418)
Use of Money and Property	806,000	806,000	2,164,197	1,358,197
Forfeitures	16,000	16,000	8,832	(7,168)
Sale of Property and Compensation for Loss	50,000	50,000	21,736	(28,264)
Interfund Revenues	-	-	27,090	27,090
Miscellaneous	183,000	183,000	399,274	216,274
Total Local Sources	83,655,455	83,655,455	85,346,078	1,690,623
State Sources	-	-	4,396,369	896,369
Interfund Transfers	87,155,455	87,155,455	-	-
Total Revenues	170,810,910	170,810,910	170,742,447	(68,463)
Appropriated Fund Balance	2,350,000	4,852,647	-	-
Total Revenues and Appropriated Fund Balance	\$ 173,160,910	\$ 175,663,557	\$ 170,742,447	\$ (2,586,992)

<u>EXPENDITURES</u>	Original Budget	Revised Budget	Actual Expenditures	Encumbrances	Unencumbered Balance
General Support:					
Board of Education	\$ 64,205	\$ 77,560	\$ 49,790	\$ 2,647	\$ 25,123
Central Administration	386,363	439,121	415,782	1,999	21,340
Finance	968,369	1,230,317	1,182,335	31,389	16,593
Staff	896,283	1,021,106	726,595	130,293	164,218
Central Services	6,283,875	6,321,794	5,589,256	470,047	262,491
Special Items	942,322	985,676	824,609	54,371	106,696
Total General Support	9,541,417	10,075,574	8,788,367	690,746	596,461
Instructional:					
Instruction, Administration and Improvement	4,776,205	5,027,612	4,615,501	125,036	287,075
Teaching - Regular School	33,008,851	32,779,529	31,967,645	528,044	283,840
Programs for Children with Handicapping Conditions	10,323,198	12,091,100	11,400,239	567,601	123,260
Occupational Education	115,500	128,398	93,935	21,565	12,898
Instructional Media	2,426,177	2,632,820	2,409,273	174,020	49,527
Pupil Services	5,095,901	5,050,181	4,659,545	49,709	340,927
Total Instructional	55,745,832	57,709,640	55,146,138	1,465,975	1,097,527
Pupil Transportation	4,636,617	4,724,192	4,315,620	238,804	169,768
Community Services	120,525	119,125	42,915	4,984	71,226
Employee Benefits	16,536,001	16,102,008	15,638,748	239,948	223,312
Debt Service	-	-	-	-	-
Principal	288,750	605,750	605,398	-	352
Interest	288,750	605,750	605,398	-	352
Subtotal	2,636,313	2,671,813	2,746,732	-	(74,919)
Interfund Transfers	89,505,455	92,008,102	87,283,918	2,640,457	2,083,727
Total Expenditures	\$ 153,163,525	\$ 162,813,676	\$ 157,832,365	\$ 2,640,457	\$ 2,083,727
Excess Revenues	-	2,458,529	-	-	-

See paragraph on supplementary schedules included in auditors' report.

JERICHO UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET
TO FINAL BUDGET - GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

Adopted Budget	\$ 89,505,455
Additions:	
Encumbrances	<u>2,502,647</u>
Total	92,008,102
Deductions	<u>-</u>
Final Budget	<u><u>\$ 92,008,102</u></u>

SCHEDULE OF USE OF UNRESERVED FUND BALANCE AS OF THE
BEGINNING OF YEAR - GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

Total Fund Balance as of Beginning of year - Unreserved	\$ 1,782,899
Less:	
Designated Fund Balance used for Subsequent Year's Expenditures	2,350,000
Undesignated Fund Balance as of the Beginning of the Year	<u><u>\$ 4,132,899</u></u>

See paragraph on supplementary schedules included in auditors' report.

JERICHO UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A -1001	78,413,949	78,413,949
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	4,396,369	4,396,369
Federal Aid	AT-4999	-	-
Total Revenues	AT-5999	89,742,447	89,742,447
EXPENDITURES			
General Support	AT-1999	8,788,367	8,788,367
Pupil Transportation	AT-5599	4,315,620	4,315,620
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	605,398	605,398
Total Expenditures	AT-9999	87,283,918	87,283,918

See paragraph on supplementary schedules included in auditors' report.

JERICO UNION FREE SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR YEAR ENDED JUNE 30, 2007

Capital Assets, Net		\$	27,721,158
Less:			
Short-term Portion of Bonds Payable	\$	1,405,000	
Long-term Portion of Bond Payable		<u>16,170,000</u>	<u>17,575,000</u>
Investment in Capital Assets, Net of Related Debt		\$	<u><u>10,146,158</u></u>

See paragraph on supplementary schedules included in auditors' report



Pappas & Company

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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*

The Board of Education
Jericho Union Free School District
Jericho, New York

We have audited the financial statements of the Jericho Union Free School District as of and for the year ended June 30, 2007, and have issued our report thereon dated September 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph on this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The District maintains revenue for the Special Aid Fund on the cash basis. Journal entries are necessary to accrue applicable grant revenues for the fiscal period.

Jericho Union Free School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiency constitutes a material weakness:

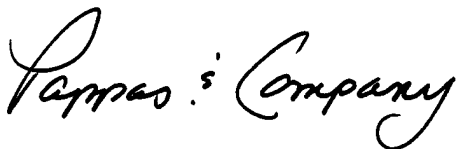
GASB 34 conversion entries necessary for the government-wide statements are prepared by the auditors. Notes to the financial statements are also drafted by the auditors and given to District management and the Audit Committee for review. Current auditing standards require we disclose this information.

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 grants, with which noncompliance 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Jericho Union Free School District in a separate letter dated September 10, 2007.

This report is intended solely for the use and information of the Board of Education and the management of the Jericho Union Free School District as well as Federal awarding agencies and pass-through entities, and is not intended to and should not be used by anyone other than these specified parties.



PAPPAS & COMPANY
COMMACK, NEW YORK
September 10, 2007