

**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, 2006**

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Report on Compliance and Internal Control over Financial Reporting based on an audit of 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, 2006, 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, 2006, 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 August 2, 2006 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

August 2, 2006

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, 2006. 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, 2006 were \$17,556,785. 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 2005-06 was \$87,808,762. which surpassed expenditures by \$5,596,429 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 \$1,150,000.
- 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.

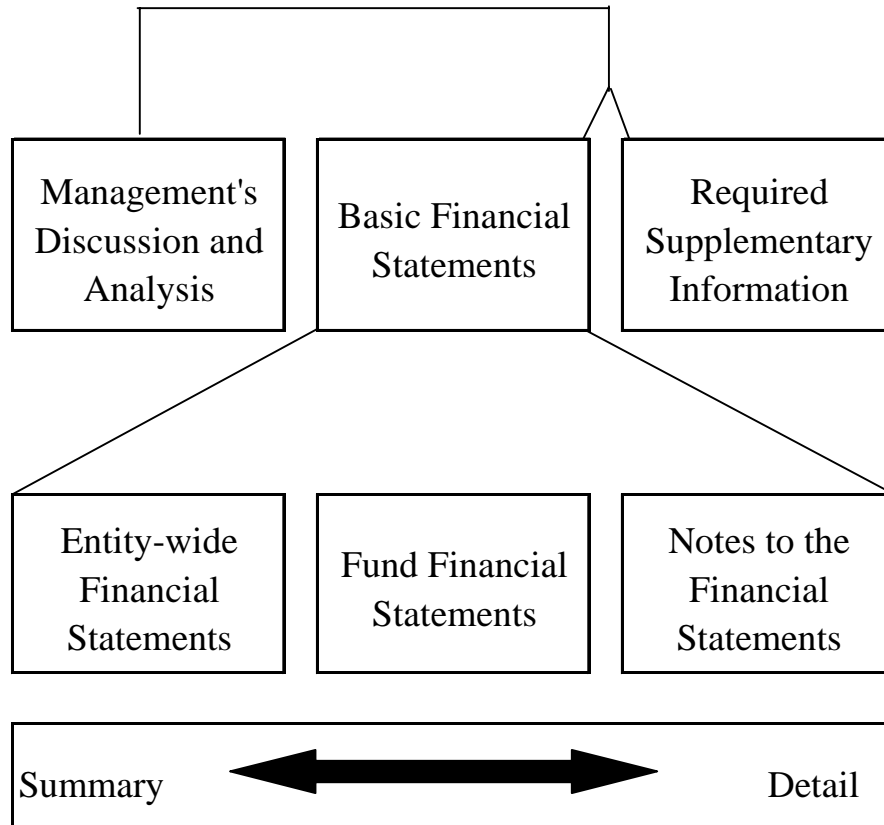
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2006, than they were the year before, increasing 10.31 % to \$66,449,415. (See Table A-3)

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

	Governmental Activities		Total Percentage Change
	2006	2005	
Current and other assets	\$ 38,120	\$ 30,779	
Capital assets	28,329	29,460	
Total assets	66,449	60,239	10.31%
Current liabilities	20,987	20,152	
Long-term liabilities	27,905	28,127	
Total liabilities	48,892	48,279	1.27%
Net assets			
Invested in capital assets, net of related debt	9,705	9,207	
Restricted	1,075	1,042	
Unrestricted	6,777	1,711	
Total net assets	\$ 17,557	\$ 11,960	46.80%

Current assets increased from 2005 to 2006 primarily due to an increase in cash. Property taxes and the sale of real estate accounts for this increase. Capital assets decreased by \$1,130,681. This was attributable to depreciation exceeding additions. Current liabilities and 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 2006 revenues totaled \$87,808,762 (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 \$82,212,333 for fiscal year 2006. 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)

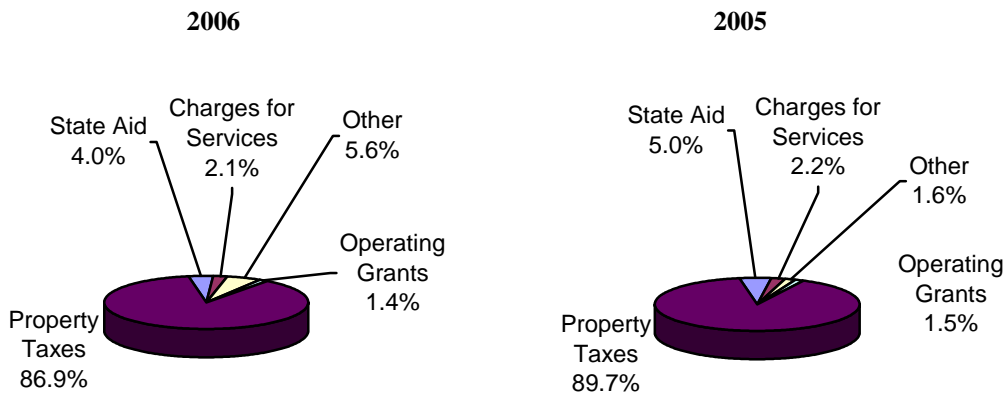
	Governmental Activities		Total Percentage Change
	2006	2005	
Revenues			
Program Revenues			
Charges for services	\$ 1,845	\$ 1,747	
Operating Grants	1,187	1,155	
General Revenues			
Property taxes	76,310	70,772	
State formula aid	3,507	3,916	
Other	4,960	1,303	
Total revenues	<u>87,809</u>	<u>78,893</u>	<u>11.3%</u>
Expenses			
General Support	13,216	11,386	
Instruction	61,191	58,852	
Pupil Transportation	3,988	3,847	
Debt Interest	1,470	1,412	
Depreciation	1,187	1,158	
Other	1,160	1,233	
Total expenses	<u>82,212</u>	<u>77,888</u>	<u>5.6%</u>
Increase in net assets:	<u>\$ 5,597</u>	<u>\$ 1,005</u>	

The above table reflects the Net Assets as a result of the 2005-06 fiscal year. Net assets increased by \$4,591,519 over the prior year. This increase was primarily due to the sales of land in the amount of \$3,025,000.

Revenues

- Property taxes and State aid account for most of the District’s revenues, contributing approximately 90.9 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. This year a piece of real estate was sold for \$3,025,000 and the proceeds are part of Other revenues, accounting for the significant increase.

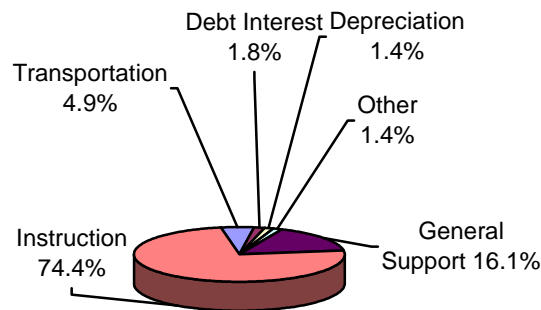
**Table A-5
Source of Revenues for Governmental Activities Fiscal Year**



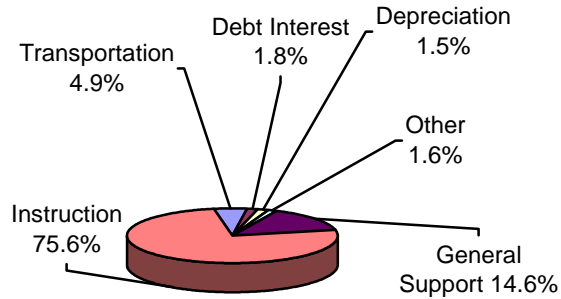
Expenses

The District’s expenses are predominantly related to instructing, caring for (pupil services) and transporting students. The District’s general support activities accounted for 16.1% of total costs.

**Table A-6
Expenses for Fiscal Year 2006**



Expenses for Fiscal Year 2005



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>2006</u>		<u>2005</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
General Support	\$ 13,216	\$ 13,216	\$ 11,386	\$ 11,386
Instruction	61,191	59,220	58,852	56,986
Pupil Transportation	3,988	3,988	3,847	3,847
Debt Interest	1,470	1,470	1,412	1,412
Other *	2,347	1,287	2,391	1,356
Total	\$ 82,212	\$ 79,181	\$ 77,888	\$ 74,987

* Includes community services, school lunch program and depreciation

- The users of the District’s programs financed \$1,844,527 of the cost by “charges for services.”

- Operating grants financed part of instruction (\$1,085,700) and the school lunch program (\$101,245).

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 slightly higher than anticipated due to a modest increase in state aid from the time of budget adoption and an increase in revenue from "use of money and property".
- District fees for services rendered to other public schools increased.
- 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 2006, 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 \$1,186,528 and additions to equipment amounted to \$110,916. Additional information can be found in Note 3 to the Basic Financial Statements.

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

	Fiscal Year	
	2006	2005
Land	\$ 357	\$ 390
Buildings/ Improvements	27,226	27,898
Furniture, Equipment, etc.	746	1,172
Total Net Capital Assets	\$ 28,329	\$ 29,460

Long-Term Debt

At year-end, the District had \$29,615,330 in general obligation bonds and other long-term debt outstanding. More detailed information is presented in Note 5 to the Basic Financial Statements.

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

	Fiscal Year	
	2006	2005
Bonds Payable	\$ 18,625	\$ 19,775
Capital Leases	-	478
Compensated Absences	10,990	9,852
Total	\$ 29,615	\$ 30,105

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of five 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 will be 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 75% of the Hamlet Estate homes have been sold. In

addition there are several other developments either approved or under construction. Of the approximately 100 homes that have been approved there are approximately 50 that are built and owner occupied. To this date enrollment of students has not impacted the size of any particular grade level.

- The school district currently leases the Williams's Elementary School. If district enrollment grows at the elementary level, it may be necessary for the District to reclaim the use of this facility for its own purposes. Potentially, the District could embark on a capital project for renovations and additions to this building. If the District reclaims the elementary building, there will also be an impact on the revenue side of the school district budget since there will be no rental income.
- 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, 2007
 - Administrators Association – June 30, 2008
 - Curriculum Associates Association – June 30, 2008
- The proposed budget for the fiscal year 2006-2007 in the amount of \$89,505,455 was approved by the residents. This budget represents a 7.4 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.

JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Current Assets:	
Cash	\$ 37,223,897
Taxes Receivable	52,314
Accounts Receivable	11,615
State and Federal Aid Receivable	774,801
Inventories	57,062
Total Current Assets	<u>38,119,689</u>
Non-Current Assets:	
Land, Buildings and Equipment (net)	28,329,726
Total Assets	<u>\$ 66,449,415</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 655,747
Accrued Interest Payable	408,436
Tax Anticipation Notes Payable	14,000,000
Bonds Payable -Due within one year	1,200,000
Due To Other Governments	122,172
Due To Teachers' Retirement System	3,810,795
Due To Employees' Retirement System	280,150
Compensated Absences	510,000
Total Current Liabilities	<u>20,987,300</u>
Non-Current Liabilities:	
Bonds Payable	17,425,000
Compensated Absences	10,480,330
Total Non-Current Liabilities	<u>27,905,330</u>
Total Liabilities	<u>48,892,630</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	9,704,726
Restricted for Debt Service	1,075,184
Unrestricted	6,776,875
Total Net Assets	<u>\$ 17,556,785</u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2006

	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
<u>FUNCTIONS/PROGRAMS</u>				
General Support	\$ 13,215,809	\$ -	\$ -	\$ (13,215,809)
Instruction	61,191,477	885,805	1,085,700	(59,219,972)
Pupil Transportation	3,987,523	-	-	(3,987,523)
Community Service	43,096	-	-	(43,096)
Debt Interest	1,470,221	-	-	(1,470,221)
Depreciation (Unallocated)	1,186,528	-	-	(1,186,528)
School Lunch Program	1,117,679	958,722	101,245	(57,712)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functions and Programs	\$ <u>82,212,333</u>	\$ <u>1,844,527</u>	\$ <u>1,186,945</u>	\$ <u>(79,180,861)</u>
 <u>GENERAL REVENUES</u>				
Real Property Taxes				\$ 73,000,686
Other Tax Items including STAR reimbursement				3,309,784
Use of Money and Property				1,712,740
Sale of property and compensation for loss				3,028,559
State Sources				3,506,517
Miscellaneous				219,004
				<u> </u>
Total General Revenues				84,777,290
Change in Net Assets				5,596,429
Total Net Assets - Beginning of Year				<u>11,960,356</u>
Total Net Assets - End of Year				\$ <u>17,556,785</u>

See Accompanying Notes to the Basic Financial Statements.

JERICO UNION FREE SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2006

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds 2006
ASSETS						
Cash	\$ 35,230,009	\$ 210,719	\$ 407,690	\$ 1,075,184	\$ 300,295	\$ 37,223,897
State and Federal Aid Receivable	272,350	489,281	13,170	-	-	774,801
Due From Other Funds	700,295	-	-	-	-	700,295
Taxes Receivable	52,314	-	-	-	-	52,314
Accounts Receivable	5,032	-	6,583	-	-	11,615
Inventories	-	-	57,062	-	-	57,062
Total Assets	<u>\$ 36,260,000</u>	<u>\$ 700,000</u>	<u>\$ 484,505</u>	<u>\$ 1,075,184</u>	<u>\$ 300,295</u>	<u>\$ 38,819,984</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 592,861	\$ -	\$ 62,886	\$ -	\$ -	\$ 655,747
Tax Anticipation Notes Payable	14,000,000	-	-	-	-	14,000,000
Due To Other Funds	-	700,000	-	-	295	700,295
Due To Other Governments	121,833	-	339	-	-	122,172
Due To Teachers' Retirement System	3,810,795	-	-	-	-	3,810,795
Due To Employees' Retirement System	250,000	-	30,150	-	-	280,150
Compensated Absences	-	-	50,000	-	-	50,000
Total Liabilities	<u>18,775,489</u>	<u>700,000</u>	<u>143,375</u>	<u>-</u>	<u>295</u>	<u>19,619,159</u>
FUND BALANCE:						
Fund Balance:						
Reserved:						
Reserve for Encumbrances	2,502,648	-	-	-	248,000	2,750,648
Reserve for Employee Benefit						
Accrued Liability	7,823,573	-	-	-	-	7,823,573
Reserve for Tax Reduction	3,025,391	-	-	-	-	3,025,391
Unreserved:						
Designated For Subsequent Years Expenditures	2,350,000	-	-	-	-	2,350,000
Undesignated	1,782,899	-	341,130	1,075,184	52,000	3,251,213
Total Fund Balance	<u>17,484,511</u>	<u>-</u>	<u>341,130</u>	<u>1,075,184</u>	<u>300,000</u>	<u>19,200,825</u>
Total Liabilities and Fund Balance	<u>\$ 36,260,000</u>	<u>\$ 700,000</u>	<u>\$ 484,505</u>	<u>\$ 1,075,184</u>	<u>\$ 300,295</u>	<u>\$ 38,819,984</u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total Governmental Fund Balances		\$ <u>19,200,825</u>
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>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 includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.</p>		
Original cost of capital assets		44,490,553
Accumulated depreciation		<u>(16,160,827)</u>
		<u>28,329,726</u>
<p>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:</p>		
Bonds payable		(18,625,000)
Accrued interest on bonds payable		(408,436)
Compensated absences		<u>(10,940,330)</u>
		<u>(29,973,766)</u>
Total Net Assets		\$ <u><u>17,556,785</u></u>

See Accompanying Notes to the Basic Financial Statements.

JERUCHO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2006

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds 2006
Revenues:						
Real Property Taxes	\$ 73,000,686	-	-	-	-	\$ 73,000,686
Other tax items (including STAR reimbursement)	3,309,784	-	-	-	-	3,309,784
Charges for Services	885,805	-	-	-	-	885,805
Use of Money and Property	1,664,657	-	14,912	33,171	-	1,712,740
Forfeitures	8,206	-	-	-	-	8,206
Sale of Property and compensation for loss	3,061,383	-	-	-	-	3,061,383
Miscellaneous	210,798	-	-	-	-	210,798
Interfund Revenues	17,172	-	-	-	-	17,172
State Sources	3,506,517	310,789	16,024	-	-	3,833,330
Federal Sources	-	774,911	62,036	-	-	836,947
Surplus Foods	-	-	23,185	-	-	23,185
Sales-School Lunch and Milk Program	-	-	958,722	-	-	958,722
Total Revenues	85,665,008	1,085,700	1,074,879	33,171	-	87,858,758
Expenditures:						
General Support	8,525,161	-	-	-	-	8,525,161
Instruction	50,090,835	1,035,719	-	-	-	51,126,554
Pupil Transportation	3,944,049	43,474	-	-	-	3,987,523
Community Services	43,096	-	-	-	-	43,096
Employee Benefits	14,160,192	61,624	169,600	1,010,875	-	14,391,416
Debt Service - Interest	484,160	-	-	1,150,000	-	1,495,035
- Principal	-	-	-	-	-	1,150,000
Cost of Sales	-	-	863,760	-	-	863,760
Other	-	17,172	84,319	-	-	101,491
Total Expenditures	77,247,493	1,157,989	1,117,679	2,160,875	-	81,684,036
Excess (Deficiency) of Revenues Over Expenditures	8,417,515	(72,289)	(42,800)	(2,127,704)	-	6,174,722
Other Sources and Uses:						
Operating Transfer In	-	72,289	140,000	2,160,875	300,000	2,673,164
Operating Transfer Out	(2,673,164)	-	-	-	-	(2,673,164)
Total Other Sources (Uses)	(2,673,164)	72,289	140,000	2,160,875	300,000	-
Excess Revenues and Other Sources	-	-	-	-	-	-
Over Expenditures and Other Uses	5,744,351	-	97,200	33,171	300,000	6,174,722
Fund Balance, Beginning	5,241,303	-	243,930	1,042,013	-	6,527,246
Prior Period Adjustment *	6,498,857	-	-	-	-	6,498,857
Fund Balance, Ending	17,484,511	-	341,130	1,075,184	300,000	19,200,825

* Combined previously segregated assets, held for compensated absences, with general fund assets. This adjustment has no effect on District-wide assets. The amount is part of the established Reserve for Employee Accrued Liability - Exhibit 3.

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, 2006

Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$	6,174,722
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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	\$	110,916	
Depreciation expense		<u>(1,186,528)</u>	(1,075,612)

Repayment of bond principal and capital leases 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.		1,628,195
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Represents basis of land sold for \$3,025,000 which amount is part of "Sale of property and compensation for loss" in the governmental funds. The basis has been removed from capital assets. Proceeds from sale, including certain interest received, have been included in a Reserve for Tax Reduction.		(32,824)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2005 to June 30, 2006 decreased by		24,814
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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>(1,122,866)</u>
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Changes in Net Assets of Governmental Activities	\$	<u>5,596,429</u>
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See Accompanying Notes to the Basic Financial Statements.

JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 103,915	\$ 233,365
Total Assets		
LIABILITIES		
Extraclassroom Activity Balances	-	145,635
Other Liabilities	-	87,730
Total Liabilities	-	87,730
NET ASSETS		
Reserved for scholarships	103,915	
Total Net Assets	\$ 103,915	

See Accompanying Notes to the Basic Financial Statements.

JERICO UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Funds</u>
ADDITIONS	
Interest Income	\$ 3,770
Total Additions	<u>3,770</u>
DEDUCTIONS	
Scholarships	<u>3,000</u>
Total Deductions	<u>3,000</u>
Change in Net Assets	770
Net Assets Beginning	103,145
Net Assets Ending	<u>\$ 103,915</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, 2006, the District was billed \$1,864,579 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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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.

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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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.

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 inventorable 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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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 not be less than \$1,000 except for computer and telecommunications equipment. All computer and telecommunications equipment shall be capitalized regardless of the cost of the asset.

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

The District has also set residual values for the above capital assets.

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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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, \$844,777 in the General fund. Currently 206 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:

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 \$3,391,601 during fiscal 2006.

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 – Cash and Investments:

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.

During the fiscal year 2006, the District has invested in deposits within the above-described parameters. Furthermore for financial statement purposes, the District considers highly liquid investments of three months or less as cash equivalents.

In order to give an indication of the level of risk assumed by the District, bank balances are classified by the following categories:

(1) Insured or collateralized with securities held by the District or by its agent in the District's name.

(2) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

(3) Uncollateralized (This includes any balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.)

The following institution bank balances at year-end are categorized as follows:

(1) \$ 400,000

(2) \$ 39,821,056

(3) \$ -0-

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

The difference between the bank balances shown above and the amount of cash shown in the accompanying financial statements results from the effect of outstanding checks and other routine reconciling items.

Note 3 – Capital Assets:

Capital asset balances and activity for the year ended June 30, 2006 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales/ Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 389,968	\$ -	\$ 32,824	\$ 357,144
Total nondepreciable cost	<u>389,968</u>	<u>-</u>	<u>32,824</u>	<u>357,144</u>
Capital assets that are depreciated:				
Buildings/Improvements	40,241,266	-	-	40,241,266
Furniture and equipment, etc.	<u>3,804,422</u>	<u>110,916</u>	<u>23,195</u>	<u>3,892,143</u>
Total depreciable cost	<u>44,045,688</u>	<u>110,916</u>	<u>23,195</u>	<u>44,133,409</u>
Less:				
Accumulated depreciation:				
Buildings/Improvements	12,343,234	671,725	-	13,014,959
Furniture and equipment, etc.	<u>2,632,015</u>	<u>514,803</u>	<u>950</u>	<u>3,145,868</u>
Total accumulated depreciation	<u>14,975,249</u>	<u>1,186,528</u>	<u>950</u>	<u>16,160,827</u>
Capital Assets - NET	\$ <u>29,460,407</u>	\$ <u>(1,075,612)</u>	\$ <u>55,069</u>	\$ <u>28,329,726</u>

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 4 – 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.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TANs maturing 6/23/06 at rates ranging from 2.49% and 4.00%	\$ 14,000,000	\$ -	\$ 14,000,000	\$ -
TANs maturing 6/22/07 at rates ranging from 3.61% and 4.50%	-	14,000,000	-	14,000,000
	<u>\$ 14,000,000</u>	<u>\$ 14,000,000</u>	<u>\$ 14,000,000</u>	<u>\$ 14,000,000</u>

Note 5 – Long-term Debt:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds payable:					
Construction Serial Bonds	\$ 19,775,000	\$ -	\$ 1,150,000	\$ 18,625,000	\$ 1,200,000
Other liabilities:					
Capital Lease	478,195	-	478,195	-	-
Compensated absences	9,851,537	1,367,492	228,699	10,990,330	510,000
Total other liabilities	<u>10,329,732</u>	<u>1,367,492</u>	<u>706,894</u>	<u>10,990,330</u>	<u>510,000</u>
Total long-term liabilities	<u>\$ 30,104,732</u>	<u>\$ 1,367,492</u>	<u>\$ 1,856,894</u>	<u>\$ 29,615,330</u>	<u>\$ 1,710,000</u>

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Details relating to serial bonds outstanding at June 30, 2006 all of which relate to bonds which were issues for capital improvements are as follows:

<u>Date of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2006</u>
8/1/99	2019	5.000	\$ 10,075,000
3/1/00	2018	5.500	8,550,000
			<u>\$ 18,625,000</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>
2007	1,200,000	949,312	2,149,312
2008	1,250,000	885,125	2,135,125
2009	1,300,000	818,312	2,118,312
2010	1,300,000	750,188	2,050,188
2011	1,325,000	681,437	2,006,437
2012-2016	7,050,000	2,317,275	9,367,275
2017-2020	5,200,000	491,200	5,691,200
	<u>\$ 18,625,000</u>	<u>\$ 6,892,849</u>	<u>\$ 25,517,849</u>

Note 6 – Interfund Balances and Activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 700,295	\$ -	\$ -	\$ 2,673,164
Special Aid Fund	-	700,000	72,289	-
School Lunch Fund	-	-	140,000	-
Debt Service Fund	-	-	2,160,875	-
Capital Funds	-	295	300,000	-
Total government activities	<u>700,295</u>	<u>700,295</u>	<u>2,673,164</u>	<u>2,673,164</u>
Totals	<u>\$ 700,295</u>	<u>\$ 700,295</u>	<u>\$ 2,673,164</u>	<u>\$ 2,673,164</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 7- 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.

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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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>
2003 - 2004	813,736	392,194
2004 - 2005	2,522,588	1,134,320
2005 - 2006	2,776,307	1,153,980

Note 8 – 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 9 – 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.

**JERICO UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006**

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual Revenues</u>	<u>Over (Under) Budget</u>
Local Sources				
Real Property Taxes	\$ 72,706,997	\$ 72,706,997	\$ 73,000,686	\$ 293,689
Other tax items (including STAR reimbursement)	3,310,450	3,310,450	3,309,784	(666)
Charges for Services	911,700	911,700	885,805	(25,895)
Use of Money and Property	856,500	856,500	1,664,657	808,157
Forfeitures	15,500	15,500	8,206	(7,294)
Sale of Property and Compensation for Loss	23,000	23,000	3,061,383	3,038,383
Miscellaneous	210,000	210,000	210,798	798
Total Local Sources	<u>78,034,147</u>	<u>78,034,147</u>	<u>82,141,319</u>	<u>4,107,172</u>
State Sources	3,300,000	3,300,000	17,172	(3,282,828)
Interfund Transfers	-	-	3,506,517	3,506,517
Total Revenues	<u>81,334,147</u>	<u>81,334,147</u>	<u>85,665,008</u>	<u>4,330,861</u>
Appropriated Fund Balance	<u>2,000,000</u>	<u>3,600,788</u>	<u>-</u>	<u>-</u>
Total Revenues and Appropriated Fund Balance	<u>\$ 83,334,147</u>	<u>\$ 84,934,935</u>	<u>\$ -</u>	<u>\$ -</u>
<u>EXPENDITURES</u>				
General Support:				
Board of Education	66,900	77,166	47,546	\$ 13,355
Central Administration	363,427	408,018	395,020	758
Finance	912,964	942,184	896,009	22,188
Staff	913,912	936,103	702,040	135,583
Central Services	6,283,415	6,375,469	5,658,193	717,276
Special Items	983,292	870,192	826,353	43,354
Total General Support	<u>9,523,910</u>	<u>9,609,132</u>	<u>8,525,161</u>	<u>768,157</u>
Instructional:				
Instruction, Administration and Improvement	4,560,944	4,579,455	4,082,919	91,917
Teaching - Regular School	31,086,578	31,206,197	29,621,180	389,144
Programs for Children with Handicapping Conditions	8,977,453	10,233,642	9,318,657	738,436
Occupational Education	110,000	110,000	97,102	12,898
Instructional Media	2,526,456	2,648,859	2,503,911	125,643
Pupil Services	4,659,943	4,733,144	4,467,066	71,770
Total Instructional	<u>51,921,374</u>	<u>53,511,297</u>	<u>50,090,835</u>	<u>1,429,808</u>
Pupil Transportation	4,418,683	4,146,857	3,944,049	87,576
Community Services	119,900	119,900	43,096	4,100
Employee Benefits	14,727,405	14,384,874	14,160,192	213,007
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	275,000	485,000	484,160	840
Subtotal	<u>275,000</u>	<u>485,000</u>	<u>484,160</u>	<u>840</u>
Interfund Transfers	2,347,875	2,677,875	2,673,164	4,711
Total Expenditures	<u>83,334,147</u>	<u>84,934,935</u>	<u>79,920,657</u>	<u>2,502,648</u>
Excess Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,744,351</u>	<u>\$ 2,511,630</u>
			<u>Unencumbered Balance</u>	
			<u>Encumbrances</u>	<u>Unencumbered Balance</u>
			<u>\$ 13,355</u>	<u>\$ 16,265</u>
			<u>758</u>	<u>12,240</u>
			<u>22,188</u>	<u>23,987</u>
			<u>135,583</u>	<u>98,480</u>
			<u>717,276</u>	<u>164,357</u>
			<u>43,354</u>	<u>485</u>
			<u>768,157</u>	<u>315,814</u>
			<u>91,917</u>	<u>404,619</u>
			<u>389,144</u>	<u>1,195,873</u>
			<u>738,436</u>	<u>176,549</u>
			<u>12,898</u>	<u>-</u>
			<u>125,643</u>	<u>19,305</u>
			<u>71,770</u>	<u>194,308</u>
			<u>1,429,808</u>	<u>1,990,654</u>
			<u>87,576</u>	<u>115,232</u>
			<u>4,100</u>	<u>72,704</u>
			<u>213,007</u>	<u>11,675</u>
			<u>-</u>	<u>-</u>
			<u>484,160</u>	<u>840</u>
			<u>484,160</u>	<u>840</u>
			<u>2,673,164</u>	<u>4,711</u>
			<u>79,920,657</u>	<u>\$ 2,502,648</u>
			<u>5,744,351</u>	<u>\$ 2,511,630</u>

See paragraph on supplementary schedules included in auditors' report.

JERICHO UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET
 TO REVISED BUDGET - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2006

Adopted Budget	\$ 83,334,147
Additions:	
Encumbrances	<u>1,600,788</u>
Total	84,934,935
Deductions	<u>-</u>
Final Budget	<u><u>\$ 84,934,935</u></u>

SCHEDULE OF USE OF UNRESERVED FUND BALANCE AS OF THE
 BEGINNING OF YEAR - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2006

Total Fund Balance as of Beginning of year - Unreserved	\$ 3,640,517
Less:	
Designated Fund Balance used for Subsequent Year's Expenditures	2,000,000
Undesignated Fund Balance as of the beginning of the year	<u><u>\$ 1,640,517</u></u>

JERICHO UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
 COMPARED TO ST-3 DATA
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A -1001	73,000,686	73,000,686
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	3,506,517	3,506,517
Federal Aid	AT-4999	-	-
Total Revenues	AT-5999	85,665,008	85,665,008
EXPENDITURES			
General Support	AT-1999	8,525,161	8,525,161
Pupil Transportation	AT-5599	3,944,049	3,944,049
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	484,160	484,160
Total Expenditures	AT-9999	79,920,657	79,920,657

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, 2006

Capital assets, net		\$	28,329,726
Less:			
Short-term portion of bonds payable	\$	1,200,000	
Long-term portion of bond payable		<u>17,425,000</u>	<u>18,625,000</u>
Investment in capital assets, net of related debt		\$	<u>9,704,726</u>

See paragraph on supplementary schedules included in auditors' report



Pappas & Company

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2006 and have issued our report thereon dated August 2, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we consider the Jericho Union Free School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management, and the New York State Education Department and is not intended to, and should not be, used by anyone other than these specified parties.

Pappas & Company

August 2, 2006