

**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, 2005**

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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, 2005, 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, 2005, 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.

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.

In accordance with Government Auditing Standards, we have also issued a report dated July 29, 2005 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.

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

July 29, 2005

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, 2005. 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, 2005 were \$11,960,356. Net assets reflect the difference between all depreciated assets of the District including buildings, cash, and furniture and equipment 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 2004-05 was \$78,893,432. which surpassed expenditures by \$1,004,910 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 \$1,100,000.
- The District continues to offer all programs and maintains the maximum fund balances allowed by state law.
- The total cost of all programs rose by 9.7% due to increased cost of programs for children with special needs and increased academic intervention services provided to our students in order to meet both State and Federal Standards. The rising New York State rate of contribution for Employee's Retirement and Teacher's Retirement benefits had a significant impact on the total expenditures in 2004-05 fiscal year. Other health related benefit costs have also risen and impacted the cost of providing the educational program.
- The proposed budget for fiscal year 2005-2006 in the amount of \$83,334,146 was approved by the District's residents.

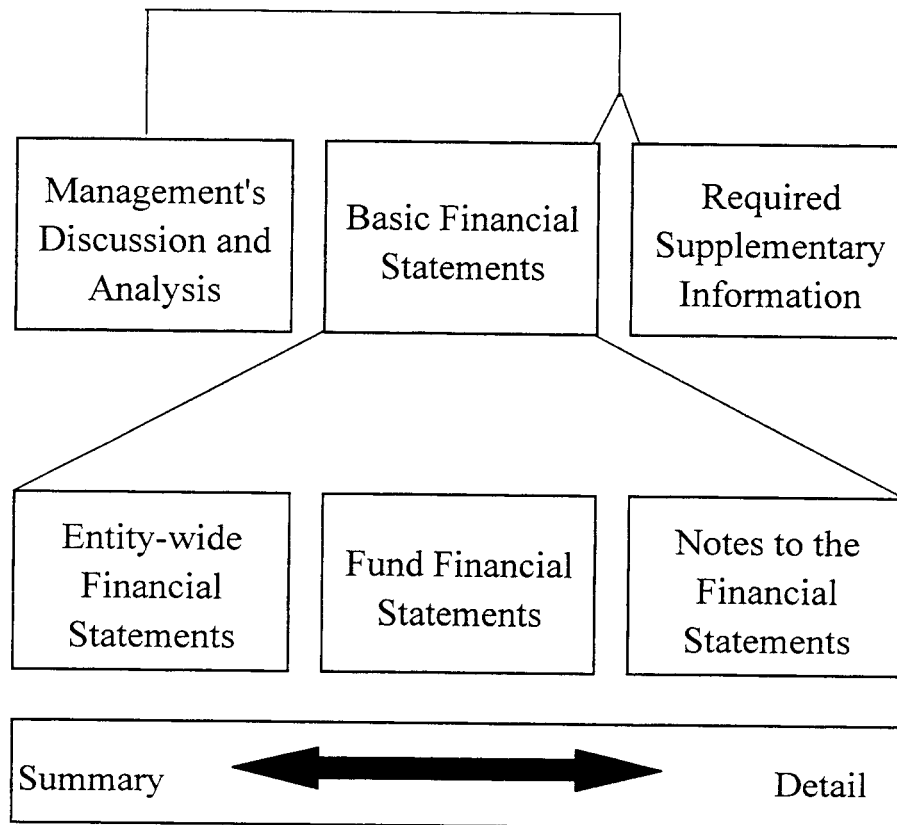
OVERVIEW OF THE FINANCIAL STATEMENTS

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	*Statement of net assets *Statement of activities	*Balance Sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	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 at the bottom of the governmental funds statements explains 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. Fiduciary fund reporting focuses on net assets and changes in net assets. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post retirement employment healthcare plans.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets

The District's combined total assets were slightly larger on June 30, 2005, than they were the year before, increasing 5.54 % to \$60,239,257. (See Table A-3)

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

	Governmental Activities		Total Percentage Change
	2005	2004	
Current and other assets	\$ 30,779	\$ 26,656	15.47%
Capital assets	29,460	30,423	-3.17%
Total assets	<u>60,239</u>	<u>57,079</u>	<u>5.54%</u>
Current liabilities	20,152	17,434	15.58%
Long-term liabilities	28,127	28,690	-1.96%
Total liabilities	<u>48,279</u>	<u>46,124</u>	<u>4.67%</u>
Net assets			
Invested in capital assets, net of related debt	9,207	8,129	13.26%
Restricted	1,042	883	18.01%
Unrestricted	1,711	1,943	-11.94%
Total net assets	<u>\$ 11,960</u>	<u>\$ 10,955</u>	<u>9.17%</u>

The District's stable financial position is the product of many factors. Significant contributors to this position were the reduction of long-term liabilities and increased revenue received from real property taxes.

- Capital assets valued here are net of depreciation.
- Liabilities include all school district debt and long-term compensated absences.
- Net Capital Assets are capitalized assets less outstanding 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 2005 revenues totaled \$78,893,432 (See Table A-4). Property taxes and state formula aid accounted for most of the District's revenue. (See 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 \$77,888,522 for fiscal year 2005. These expenses are predominately related to general instruction and caring for (pupil services) and transporting students. (See Table A-6).

Current assets increased from 2004 to 2005 primarily due to the increase in cash balance in the general fund and State/Federal aid receivable. Capital assets decreased by \$962,962. This was attributable to depreciation exceeding additions. Current liabilities increased over the prior year predominately due to greater tax anticipation notes and increased benefits payable to teachers' retirement. Non-current liabilities decreased by \$563,330. This is attributable to a decrease in serial debt and the capital lease obligation offset by an increase in compensated absences.

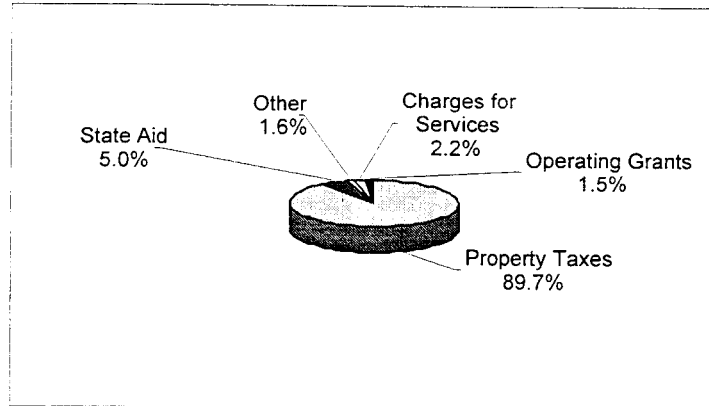
Table A-4
Changes in Net Assets from Operating Results (in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2005	2004	
Revenues			
Program Revenues			
Charges for services	\$ 1,747	\$ 1,750	0.00%
Operating Grants	1,155	1,094	5.58%
General Revenues			
Property taxes	70,772	63,835	10.87%
State formula aid	3,916	3,395	15.35%
Other	1,303	1,138	14.50%
Total revenues	<u>78,893</u>	<u>71,212</u>	<u>10.79%</u>
Expenses			
General Support	11,386	10,321	10.32%
Instruction	58,852	53,659	9.68%
Pupil Transportation	3,847	3,621	6.24%
Debt Interest	1,412	1,245	13.41%
Depreciation	1,158	1,154	0.00%
Other	1,233	1,022	20.65%
Total expenses	<u>77,888</u>	<u>71,022</u>	<u>9.67%</u>
Increase in net assets:	<u>\$ 1,005</u>	<u>\$ 190</u>	<u>428.95%</u>

The above table reflects the Net Assets as a result of the 2004-05 fiscal year.

Property taxes and state aid account for most of the District's revenues contributing approximately 94.67 cents of every dollar raised.

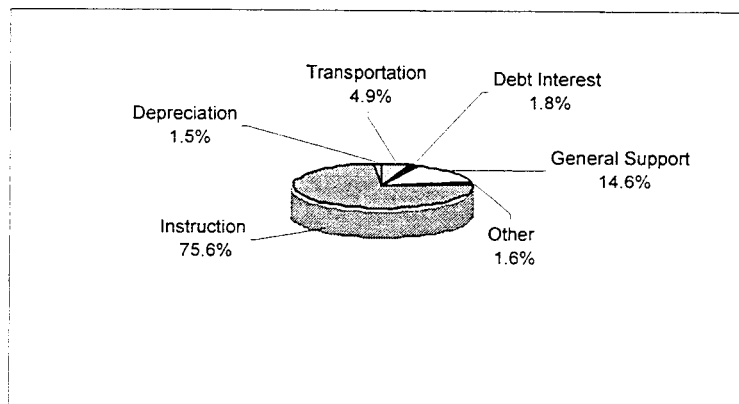
Table A-5
Sources of Revenues for Fiscal Year 2005



Revenues

- 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.

Table A-6
Expenses for Fiscal Year 2005



Expenses

The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.5%). The District's general support activities accounted for 14.6% of total costs.

- Total Revenues surpassed expenses increasing net assets over last fiscal year by \$814,886.

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

Figure 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.

	<u>2005</u>		<u>2004</u>	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	\$ 11,386	\$ 11,386	\$ 10,321	\$ 10,321
Instruction	58,852	56,986	53,659	51,706
Pupil Transportation	3,847	3,847	3,621	3,621
Debt Interest	1,412	1,412	1,245	1,245
Other *	2,391	1,356	2,176	1,285
Total	<u>\$ 77,888</u>	<u>\$ 74,987</u>	<u>\$ 71,022</u>	<u>\$ 68,178</u>

* Includes community services, school lunch program and depreciation

- District's taxpayers real property taxes financed 94.4% of net costs (\$74,986,614) with approximately a 5.2% contribution of aid from the state government.
- The total cost of all governmental activities this year was \$77,888,522.
- The users of the District's programs financed \$1,746,996 of the cost by "charges for services."
- Operating grants financed part of instruction (\$1,053,821) and the school lunch program (\$101,091).

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 an increase in state aid from the time of budget adoption and a modest 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 significant increases in employee benefits for state retirement plans and for health insurance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 2005, the District had invested in a broad range of capital assets, including land, buildings and improvements, and equipment (including technology equipment and transportation equipment.) Total depreciation expense for the year was \$1,158,310 and additions to equipment amounted to \$195,348. 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		Percentage Change
	2005	2004	
Land	\$ 390	\$ 390	0.00%
Buildings & Improvements	27,898	28,487	-2.04%
Equipment	1,172	1,546	-24.19%
Total Net Capital Assets	\$ 29,460	\$ 30,423	-3.17%

Long-Term Debt

At year-end, the District had \$30,104,732 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	
	2005	2004
Bonds Payable	\$ 19,775	\$ 20,875
Capital Leases	478	935
Other	9,852	8,887
Total	\$ 30,105	\$ 30,697

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, more recently there have been a number of land sales that may impact upon the enrollment in the school district. The planning departments within the Town of Oyster Bay, and the Villages of Brookville, Muttontown, and Old Westbury have reported the following growth of homes within the Jericho School District boundaries:

Village of Old Westbury	10 new single family homes
Village of Brookville	7 homes approved in Dupont Estates Subdivision
Village of Muttontown	Kirby Lane Development 2 homes with JUFSD
Town of Oyster Bay	Horizon at Jericho-29 single family homes
Town of Oyster Bay	Underhill Property-Hamlet Estates at Jericho (102)

The Hamlet Estates has the greatest potential impact on the enrollment of the Jericho School District. Currently there are 59 homes under construction. At this time no one is living in the development. The original stipulation on the development of the Underhill property indicated that 40 per cent of the homes must be offered to first-time buyers and that 40 per cent of these first-time buyers must be at least 55 years old. Thus, the enrollment impact may be minimal.

- 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, 2006
 - Administrators Association – June 30, 2006
 - Curriculum Associates Association – June 30, 2006

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 district’s finances 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, 2005

ASSETS

Current Assets:	
Unrestricted Cash	\$ 28,308,251
Restricted Cash	1,042,013
Taxes Receivable	151,115
Accounts Receivable	31,491
State and Federal Aid Receivable	1,190,902
Inventories	55,078
Total Current Assets	<u>30,778,850</u>
Non-Current Assets:	
Land, Buildings and Equipment (net)	29,460,407
Total Assets	<u>\$ 60,239,257</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 437,640
Tax Anticipation Notes Payable	14,000,000
Bond Principal & Interest Payable -Due within one year	1,601,422
Due To Other Governments	57,331
Due To Teachers' Retirement System	3,017,322
Due To Employees' Retirement System	210,454
Compensated Absences	350,000
Capital Leases - Due within one year	478,195
Total Current Liabilities	<u>20,152,364</u>
Non-Current Liabilities:	
Bonds Payable	18,625,000
Compensated Absences	9,501,537
Total Non-Current Liabilities	<u>28,126,537</u>
Total Liabilities	<u>48,278,901</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	9,207,212
Restricted for Debt Service	1,042,013
Unrestricted	1,711,131
Total Net Assets	<u>\$ 11,960,356</u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2005

	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
<u>FUNCTIONS/PROGRAMS</u>				
General Support	\$ (11,386,326)	\$	\$	\$ (11,386,326)
Instruction	(58,851,989)	812,182	1,053,821	(56,985,986)
Pupil Transportation	(3,846,882)			(3,846,882)
Community Service	(78,917)			(78,917)
Debit Interest	(1,411,616)			(1,411,616)
Depreciation (Unallocated)	(1,158,310)			(1,158,310)
School Lunch Program	(1,154,482)	934,814	101,091	(118,577)
Total Functions and Programs	\$ <u>(77,888,522)</u>	\$ <u>1,746,996</u>	\$ <u>1,154,912</u>	\$ <u>(74,986,614)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				\$ 67,751,154
Other Tax Items including STAR reimbursement				3,021,296
Use of Money and Property				1,109,558
Miscellaneous				193,609
State Sources				<u>3,915,907</u>
Total General Revenues				<u>75,991,524</u>
Change in Net Assets				1,004,910
Total Net Assets - Beginning of Year				<u>10,955,446</u>
Total Net Assets - End of Year				\$ <u><u>11,960,356</u></u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds 2005
ASSETS						
Unrestricted Cash	\$ 21,430,705	\$ 77,319	\$ 301,370	\$ -	\$ -	\$ 21,809,394
Restricted Cash	-	-	-	1,042,013	-	1,042,013
State and Federal Aid Receivable	752,466	432,681	5,755	-	-	1,190,902
Due From Other Funds	510,000	-	-	-	-	510,000
Taxes Receivable	151,115	-	-	-	-	151,115
Accounts Receivable	27,824	-	3,667	-	-	31,491
Inventories	-	-	55,078	-	-	55,078
Total Assets	<u>\$ 22,872,110</u>	<u>\$ 510,000</u>	<u>\$ 365,870</u>	<u>\$ 1,042,013</u>	<u>\$ -</u>	<u>\$ 24,789,993</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 406,066	\$ -	\$ 31,574	\$ -	\$ -	\$ 437,640
Notes Payable	-	-	-	-	-	-
Tax Anticipation Notes	14,000,000	-	-	-	-	14,000,000
Due To Other Funds	-	510,000	-	-	-	510,000
Due To Other Governments	56,965	-	366	-	-	57,331
Due To Teachers' Retirement System	3,017,322	-	-	-	-	3,017,322
Due To Employees' Retirement System	150,454	-	60,000	-	-	210,454
Compensated Absences	-	-	30,000	-	-	30,000
Total Liabilities	<u>17,630,807</u>	<u>510,000</u>	<u>121,940</u>	<u>-</u>	<u>-</u>	<u>18,262,747</u>
FUND BALANCE:						
Fund Balance:						
Reserved:						
Reserve for Encumbrances	1,600,788	-	-	-	-	1,600,788
Reserve for Bonded Debt	-	-	-	1,042,013	-	1,042,013
Unreserved:						
Designated For Subsequent Years Expend.	2,000,000	-	-	-	-	2,000,000
Undesignated	1,640,515	-	243,930	-	-	1,884,445
Total Fund Balance	<u>5,241,303</u>	<u>-</u>	<u>243,930</u>	<u>1,042,013</u>	<u>-</u>	<u>6,527,246</u>
Total Liabilities and Fund Balance	<u>\$ 22,872,110</u>	<u>\$ 510,000</u>	<u>\$ 365,870</u>	<u>\$ 1,042,013</u>	<u>\$ -</u>	<u>\$ 24,789,993</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds.	29,460,407
Other assets are not available to pay for current-period expenditures and are funded for compensated absences.	6,498,857
Long-term liabilities, including bonds payable, compensated absences and capital leases - not reported in the funds.	<u>(30,526,154)</u>
Net assets of governmental activities	<u>\$ 11,960,356</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, 2005

Total Governmental Fund Balances	\$ <u>6,527,246</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	44,435,656
Accumulated depreciation	<u>(14,975,249)</u>
	<u>29,460,407</u>
Other assets not available to pay for current period expenditures and are funded for compensated absences.	<u>6,498,857</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	(19,775,000)
Accrued interest on bonds payable	(451,422)
Capital Lease Payable	(478,195)
Compensated absences	<u>(9,821,537)</u>
	<u>(30,526,154)</u>
Total Net Assets	\$ <u><u>11,960,356</u></u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2005

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
Revenues:						
Real Property Taxes	\$ 67,751,154	-	-	-	-	\$ 67,751,154
Other tax items (including STAR reimbursement)	3,021,296	-	-	-	-	3,021,296
Charges for Services	812,182	-	-	-	-	812,182
Use of Money and Property	1,087,381	-	7,467	14,710	-	1,109,558
Forfeitures	13,485	-	-	-	-	13,485
Miscellaneous	180,124	-	-	-	-	180,124
Interfund Revenues	-	-	-	-	-	-
State Sources	3,915,907	290,702	15,580	-	-	4,222,189
Federal Sources	-	763,119	60,302	-	-	823,421
Surplus Foods	-	-	25,209	-	-	25,209
Sales-School Lunch and Milk Program	-	-	934,814	-	-	934,814
Total Revenues	<u>76,781,529</u>	<u>1,053,821</u>	<u>1,043,372</u>	<u>14,710</u>	<u>-</u>	<u>78,893,432</u>
Expenditures:						
General Support	8,011,221	-	-	-	-	8,011,221
Instruction	47,669,980	1,072,297	-	-	-	48,742,277
Pupil Transportation	3,808,678	38,204	-	-	-	3,846,882
Community Services	78,917	-	-	-	-	78,917
Employee Benefits	13,220,018	-	216,745	-	-	13,436,763
Debt Service	356,247	-	-	2,169,895	-	2,526,142
Cost of Sales	-	-	867,569	-	-	867,569
Other	-	-	70,168	-	-	70,168
Total Expenditures	<u>73,145,061</u>	<u>1,110,501</u>	<u>1,154,482</u>	<u>2,169,895</u>	<u>-</u>	<u>77,579,939</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,636,468</u>	<u>(56,680)</u>	<u>(111,110)</u>	<u>(2,155,185)</u>	<u>-</u>	<u>1,313,493</u>
Other Sources and Uses:						
Operating Transfer In	63,630	70,086	140,000	2,313,681	-	2,587,397
Operating Transfer Out	(2,379,899)	(13,406)	-	-	(194,092)	(2,587,397)
Total Other Sources (Uses)	<u>(2,316,269)</u>	<u>56,680</u>	<u>140,000</u>	<u>2,313,681</u>	<u>(194,092)</u>	<u>-</u>
Net Change in Fund Balance	1,320,199	-	28,890	158,496	(194,092)	1,313,493
Fund Balance, Beginning	3,921,104	-	215,040	883,517	194,092	5,213,753
Fund Balance, Ending	<u>5,241,303</u>	<u>-</u>	<u>243,930</u>	<u>1,042,013</u>	<u>-</u>	<u>6,527,246</u>

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, 2005

Excess of Revenues and Other Sources Over Expenditures and Other Uses		\$	1,313,493
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		\$	195,348
Depreciation expense			<u>(1,158,310)</u>
			(962,962)
Repayment of bond principal and capital leases is an expenditure in the government funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.			
			1,557,340
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, 2004 to June 30, 2005 decreased by			
			31,904
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>(934,865)</u>
Changes in Net Assets of Governmental Activities		\$	<u><u>1,004,910</u></u>

See Accompanying Notes to the Basic Financial Statements.

JERICHO UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

		Private Purpose Trust Funds
ASSETS		
Unrestricted Cash	\$	208,338
Total Assets		208,338
 LIABILITIES		
Extraclassroom Activity Balances		127,946
Total Liabilities		127,946
 NET ASSETS		
Held in trust for:		
Endowment Scholarships		80,392
Total Net Assets	\$	80,392

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, 2005

	<u>Private Purpose Fund</u>
ADDITIONS	
Interest Income	\$ 1,669
Total Additions	<u>1,669</u>
DEDUCTIONS	
Scholarship Expenses	1,383
Total Deductions	<u>1,383</u>
Change in Net Assets	286
Net Assets Beginning	80,106
Net Assets Ending	\$ <u><u>80,392</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, 2005, the District was billed \$1,858,140 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, 2005

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 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, 2005

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, 2005

The District's capitalization policy is as follows: (There is a threshold in place of \$5000, which indicates the dollar value at and above which an acquisition is added to the capital assets reported). However, it is the District's policy to capitalize computer equipment regardless of cost.

	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, 2005

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, \$836,609 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 \$4,001,925 during fiscal 2005.

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.

Certain 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.

Deferred revenues recorded in governmental funds are not recorded in the District-wide statements, and comprise part of the reconciliation.

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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 2005, 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) \$ 500,000
- (2) \$ 30,854,961
- (3) \$ -0-

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.

At June 30, 2005, the District maintained restricted cash for debt service (\$1,042,013).

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

Note 3 – Capital Assets:

Capital asset balances and activity for the year ended June 30, 2005 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 389,968	\$ -	\$ -	\$ 389,968
Total nondepreciable historical cost	<u>389,968</u>	<u>-</u>	<u>-</u>	<u>389,968</u>
Capital assets that are depreciated:				
Buildings/Improvements	40,161,422	79,844	-	40,241,266
Furniture and equipment, etc.	<u>3,706,668</u>	<u>115,504</u>	<u>17,750</u>	<u>3,804,422</u>
Total depreciable historical cost	<u>43,868,090</u>	<u>195,348</u>	<u>17,750</u>	<u>44,045,688</u>
Less:				
Accumulated depreciation:				
Buildings/Improvements	11,674,170	669,064	-	12,343,234
Furniture and equipment, etc.	<u>2,160,519</u>	<u>489,246</u>	<u>17,750</u>	<u>2,632,015</u>
Total accumulated depreciation	<u>13,834,689</u>	<u>1,158,310</u>	<u>17,750</u>	<u>14,975,249</u>
Capital Assets - NET	\$ <u>30,423,369</u>	\$ <u>(962,962)</u>	\$ <u>-</u>	\$ <u>29,460,407</u>

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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>
TAN maturing 6/23/06 at rates ranging between (2.49% and 4.00%)	\$ 13,100,000	\$ 14,000,000	\$ 13,100,000	\$ 14,000,000

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	\$ 20,875,000	\$ -	\$ 1,100,000	\$ 19,775,000	\$ 1,150,000
Other liabilities:					
Capital Lease	935,535	-	457,340	478,195	478,195
Compensated absences	8,886,672	1,225,654	260,789	9,851,537	350,000
Total other liabilities	9,822,207	1,225,654	718,129	10,329,732	828,195
 Total long-term liabilities	 \$ 30,697,207	 \$ 1,225,654	 \$ 1,818,129	 \$ 30,104,732	 \$ 1,978,195

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

Details relating to serial bonds outstanding at June 30, 2005 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, 2005</u>
8/1/99	2019	5.000	\$ 10,675,000
3/1/00	2018	5.500	9,100,000
			<u>\$ 19,775,000</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>
2006	\$ 1,150,000	\$ 1,010,875	\$ 2,160,875
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
2011-2020	13,575,000	4,199,912	17,774,912
	<u>\$ 19,775,000</u>	<u>\$ 8,613,724</u>	<u>\$ 28,388,724</u>

The following is a summary of obligations of government activities under capital lease payments:

	<u>Total</u>
Fiscal year ended June 30, 2005:	
2006	<u>\$ 500,000</u>
Total minimum lease payments	500,000
Less: Amount representing interest @4.560% per annum	21,805
Present value of minimum lease payments	<u>\$ 478,195</u>

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

Note 6 – Interfund Balances and Activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 510,000	\$ -	\$ 63,630	\$ 2,379,899
Special Aid Fund	-	510,000	70,086	13,406
School Lunch Fund	-	-	140,000	-
Debt Service Fund	-	-	2,313,681	-
Capital Funds	-	-	-	194,092
Total government activities	510,000	510,000	2,587,397	2,587,397
Fiduciary Agency Fund	-	-	-	-
Totals	\$ <u>510,000</u>	\$ <u>510,000</u>	\$ <u>2,587,397</u>	\$ <u>2,587,397</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.

Jericho Union Free School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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.

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:

	NYSTRS	NYSERS
2002 - 2003	445,987	72,675
2003 - 2004	813,736	392,194
2004 - 2005	2,522,588	1,134,320

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.

JERICHO UNION FREE SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2005

REVENUES	Original Budget	Revised Budget	Actual Revenues	Over (Under) Budget
Local Sources				
Real Property Taxes	\$ 67,472,665	\$ 67,472,665	\$ 67,751,154	\$ 278,489
Other tax items (including STAR reimbursement)	3,021,296	3,021,296	3,021,296	-
Charges for Services	911,700	911,700	812,182	(99,518)
Use of Money and Property	845,500	845,500	1,087,381	241,881
Forfeitures	9,500	9,500	13,485	3,985
Sale of Property and Compensation for Loss	40,000	40,000	2,533	(37,467)
Miscellaneous	200,000	200,000	177,591	(22,409)
Total Local Sources	<u>72,500,661</u>	<u>72,500,661</u>	<u>72,865,622</u>	<u>364,961</u>
State Sources	3,056,880	3,056,880	3,915,907	859,027
Interfund Transfers	-	-	63,630	63,630
Total Revenues	<u>75,557,541</u>	<u>75,557,541</u>	<u>76,845,159</u>	<u>1,287,618</u>
Appropriated Fund Balance	2,000,000	2,571,649	-	-
Total Revenues and Appropriated Fund Balance	<u>77,557,541</u>	<u>78,129,190</u>	<u>76,845,159</u>	<u>1,287,618</u>

EXPENDITURES	Original Budget	Revised Budget	Actual Expenditures	Encumbrances	Unencumbered Balance
General Support:					
Board of Education	59,991	60,101	44,381	266	15,454
Central Administration	343,119	379,119	369,456	2,091	7,572
Finance	891,743	893,249	845,924	38,721	8,604
Staff	854,203	892,468	727,472	124,991	40,005
Central Services	5,882,537	5,745,183	5,269,761	409,054	66,368
Special Items	893,903	793,903	754,227	10,000	29,676
Total General Support	<u>8,925,496</u>	<u>8,764,023</u>	<u>8,011,221</u>	<u>585,123</u>	<u>167,679</u>
Instructional:					
Instruction, Administration and Improvement	4,437,768	4,367,501	4,160,650	51,611	155,240
Teaching - Regular School	29,125,926	28,341,919	28,057,622	108,619	175,678
Programs for Children with Handicapping Conditions	7,951,207	9,008,093	8,409,409	576,189	22,495
Occupational Education	110,012	110,012	95,082	-	14,930
Instructional Media	2,589,131	2,585,470	2,443,052	82,403	60,015
Pupil Services	4,809,640	4,732,059	4,504,165	55,200	172,694
Total Instructional	<u>49,023,684</u>	<u>49,145,054</u>	<u>47,669,980</u>	<u>874,022</u>	<u>601,052</u>
Pupil Transportation	4,371,796	3,982,976	3,808,678	74,174	100,124
Community Services	119,900	119,900	78,917	-	40,983
Employee Benefits	12,484,815	13,377,491	13,220,018	67,469	90,004
Debt Service	-	-	-	-	-
Principal	275,000	359,796	356,247	-	3,549
Interest	275,000	359,796	356,247	-	3,549
Subtotal	<u>2,356,850</u>	<u>2,379,950</u>	<u>2,379,899</u>	<u>-</u>	<u>51</u>
Interfund Transfer	77,557,541	78,129,190	75,524,960	1,600,788	1,003,442
Total Expenditures	<u>77,557,541</u>	<u>78,129,190</u>	<u>75,524,960</u>	<u>1,600,788</u>	<u>1,003,442</u>
Excess Revenues	-	-	1,320,199	-	-

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, 2005

Original Budget	\$ 77,557,541
Additions:	
Encumbrances	<u>571,649</u>
Total	78,129,190
Deductions	<u>-</u>
Revised Budget	<u><u>\$ 78,129,190</u></u>

SCHEDULE OF USE OF UNRESERVED FUND BALANCE AS OF THE
 BEGINNING OF YEAR - GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2005

Total Fund Balance as of Beginning of year - Unreserved	\$ 3,349,457
Less:	
Unreserved Fund Balance Designated for Subsequent Year's Expenditures	2,000,000
Unreserved Fund Balance Designated for Other Purposes	<u>-</u>
Total Unreserved Fund Balance	<u><u>\$ 1,349,457</u></u>

See paragraph on supplementary schedules included in auditors' report.

JERICHO UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2005

PROJECT TITLE	Appropriation		Prior Year's	Expenditures to Date		Unexpended Balance
	Original	Revised		Current Year (1)	Total	
Middle School/High School Front Entrance	\$ 140,000	\$ 185,217	\$ 134,993	\$ 50,224	\$ 185,217	\$ -
1999 Bonded Projects - various	25,000,000	25,000,000	24,856,132	143,868	25,000,000	-
Total	<u>\$ 25,140,000</u>	<u>\$ 25,185,217</u>	<u>\$ 24,991,125</u>	<u>\$ 194,092</u>	<u>\$ 25,185,217</u>	<u>\$ -</u>

(1) In 2004-2005, these Projects were deemed closed and complete and the balances were sent to the respective funds as an Interfund Transfer Expenditure. \$50,244 was sent back to the General Fund and \$143,868 to the Debt Service Fund for the repayment of Bond principal and interest.

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, 2005

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A -1001	67,751,154	67,751,154
Non-Property Taxes	AT-1199	-	-
State Aid	AT-3999	3,915,907	3,915,907
Federal Aid	AT-4999	-	-
Total Revenues	AT-5999	76,845,159	76,845,159
EXPENDITURES			
General Support	AT-1999	8,011,221	8,011,221
Pupil Transportation	AT-5599	3,808,678	3,808,678
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	356,247	356,247
Total Expenditures	AT-9999	75,524,960	75,524,960

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, 2005

Capital assets, net		\$	29,460,407
Short-term portion of bonds payable	\$	1,150,000	
Long-term portion of bond payable		18,625,000	
Short-term portion of capital leases		<u>478,195</u>	<u>20,253,195</u>
Investment in capital assets, net of related debt		\$	<u><u>9,207,212</u></u>

See paragraph on supplementary schedules included in auditors' report