

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

**June 30, 2017**

**JERICO UNION FREE SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, as of June 30, 2017, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 15 and 49 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jericho Union Free School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of the Jericho Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jericho Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

September 28, 2017

**JERICHO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Jericho Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$7,677,206. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District received \$1,275,734 in operating grants to support instructional programs.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$113,843,255. Of this amount, \$5,033,606 was offset by program charges for services and operating grants. General revenues of \$116,486,855 amount to 95.9% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$3,189,953, as the fiscal year's total revenues and operating transfers-in were more than total expenditures and other financing uses based on the modified accrual basis of accounting.
- The District's 2016-17 property tax levy of \$106,236,917 was the same as the 2015-16 tax levy.
- On May 16, 2017, the proposed 2017-18 budget in the amount of \$122,669,127, was authorized by the District's voters. The District's 2017-18 property tax levy as originally planned and approved by voters was lowered by the Board of Education by \$1,324,198 to \$106,236,917 and is the same as the 2016-17 tax levy. The District increased the amount of appropriated fund balance to \$5,324,198 in order to keep the tax levy flat.
- On May 16, 2017, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law Section 3651, to establish a capital reserve for the purpose of specified improvements and upgrades throughout the District. The maximum amount of the capital reserve is \$20,000,000, plus investment income, for a term of 10 years. The funds are to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by General Municipal and Education Laws, including a sum not to exceed an annual amount of \$10,000,000 beginning with the 2016-17 year. The District has funded \$10,000,000 into the new capital reserve as of June 30, 2017.
- On May 16, 2017, the residents of the District voted on and authorized the Board of Education to expend a sum not to exceed \$9,301,260 from the capital reserve known as the "Facilities Improvement Program – Jericho Public Schools III", established on May 19, 2015 for the purpose of completing capital improvements and upgrades throughout the District. The District transferred the \$9,301,260 to the capital projects fund as of June 30, 2017.
- With numerous National Merit awards, Advanced Placement Scholars, School of Distinction awards, Intel/Siemens finalists and semi-finalists, Jericho High School has consistently ranked as one of the top public high schools in New York State and the United States of America. The District continues to offer all programs without reducing services.

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management’s discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position - The Statement of Net Position presents information on all of the District’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities - The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District’s funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**Governmental Funds**

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school food service fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Position**

The District's total net position increased by \$7,677,206 between fiscal year 2017 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

**JERICO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2017	2016	Increase (Decrease)	Percentage Change
<b>Asset</b>				
Current and Other Assets	\$ 97,227,123	\$ 88,457,401	\$ 8,769,722	9.91 %
Capital Assets, Net	37,325,403	34,786,833	2,538,570	7.30 %
Net Pension Asset -				
Proportionate Share		33,069,962	(33,069,962)	(100.00)%
Total Assets	<u>134,552,526</u>	<u>156,314,196</u>	<u>(21,761,670)</u>	(13.92)%
<b>Deferred Outflows of Resources</b>	<u>36,140,920</u>	<u>13,461,244</u>	<u>22,679,676</u>	168.48 %
<b>Liabilities</b>				
Current and Other Liabilities	9,701,981	10,399,264	(697,283)	(6.71)%
Long-Term Liabilities	23,876,515	24,647,843	(771,328)	(3.13)%
Net OPEB Obligation	45,960,785	41,356,095	4,604,690	11.13 %
Net Pension Liability -				
Proportionate Share	7,663,852	7,068,327	595,525	8.43 %
Total Liabilities	<u>87,203,133</u>	<u>83,471,529</u>	<u>3,731,604</u>	4.47 %
<b>Deferred Inflows of Resources</b>	<u>1,889,101</u>	<u>12,379,905</u>	<u>(10,490,804)</u>	(84.74)%
<b>Net Position</b>				
Net investment in capital assets	33,765,403	29,796,833	3,968,570	13.32 %
Restricted	66,723,520	56,578,966	10,144,554	17.93 %
Unrestricted (Deficit)	<u>(18,887,711)</u>	<u>(12,451,793)</u>	<u>(6,435,918)</u>	51.69 %
Total Net Position	<u>\$ 81,601,212</u>	<u>\$ 73,924,006</u>	<u>\$ 7,677,206</u>	10.39 %

Current and other assets increased by \$8,769,722, as compared to the prior year. The increase is primarily related to an increase in cash.

Capital assets, net increased by \$2,538,570, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset - proportionate share decreased by \$33,069,962, as compared to the prior year. This asset represented the District's share of the New York State Teachers' Retirement System's collective net pension asset, if any, at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$697,283, as compared to the prior year. This decrease is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate.

**JERICHO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Long-term liabilities decreased by \$771,328, as compared to the prior year. This decrease is the result of the repayment of the current maturity of the bond indebtedness, partially offset by an increase in compensated absences liability.

Net other postemployment benefits (OPEB) obligation increased by \$4,604,690, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$595,525 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

	Increase (Decrease)
Capital asset additions - total	\$ 4,182,438
Principal debt reduction of construction bonds	1,430,000
Depreciation expense	(1,643,868)
	\$ 3,968,570

The restricted amount of \$66,723,520 relates to the District's reserves. This number increased over the prior year by \$10,144,554, principally due to the funding of existing reserves and a new capital reserve in the amount of \$12,310,643 plus interest earnings. The District appropriated \$1,118,289 from the reserves to fund current year expenditures, and continued to spend down projects funded by voter approved capital reserves.

The unrestricted (deficit) amount of \$(18,887,711) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$6,435,918, primarily as a result of the changes in the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows, and the continuing amortization of the net OPEB liability.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

**JERICHO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2017	2016	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 3,491,630	\$ 3,000,945	\$ 490,685	16.35 %
Operating Grants	1,541,976	1,337,561	204,415	15.28 %
General Revenues				
Property Taxes and STAR	106,236,917	106,236,917	-	0.00 %
State Sources	6,104,601	5,706,149	398,452	6.98 %
Other	4,145,337	4,356,970	(211,633)	(4.86)%
Total Revenues	<u>121,520,461</u>	<u>120,638,542</u>	<u>881,919</u>	0.73 %
<b>Expenses</b>				
General Support	13,960,427	13,793,856	166,571	1.21 %
Instruction	91,953,716	84,304,704	7,649,012	9.07 %
Pupil Transportation	5,796,314	5,657,185	139,129	2.46 %
Community Service	95,860	92,666	3,194	3.45 %
Debt Service - Interest	293,571	383,860	(90,289)	(23.52)%
Food Service Program	1,743,367	1,759,793	(16,426)	(0.93)%
Total Expenses	<u>113,843,255</u>	<u>105,992,064</u>	<u>7,851,191</u>	7.41 %
Increase in Net Position	<u>\$ 7,677,206</u>	<u>\$ 14,646,478</u>	<u>\$ (6,969,272)</u>	(47.58)%

The District's net position increased by \$7,677,206 and \$14,646,478 for the years ended June 30, 2017 and 2016, respectively.

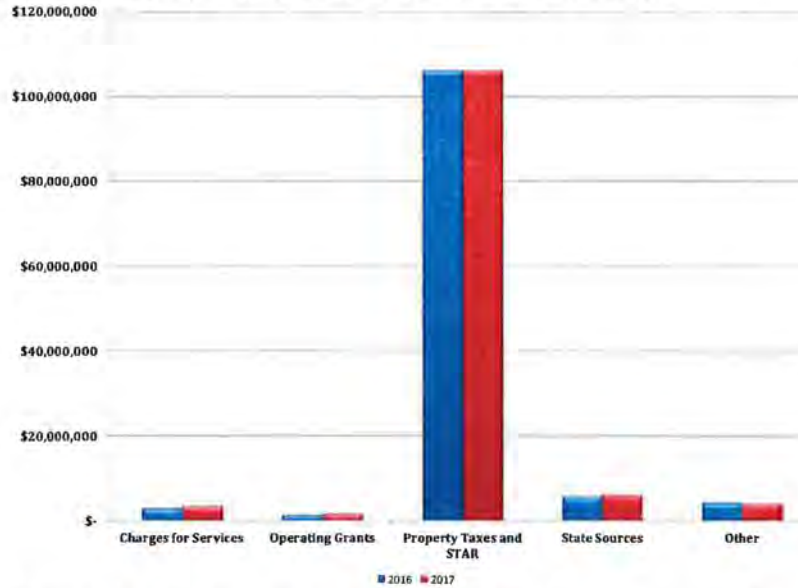
The District's revenues on the accrual basis increased by \$881,919 or 0.73%. The major factors that contributed to the increase were higher tuition and state aid revenues in the current year than during the prior year.

The District's expenses on the accrual basis for the year increased by \$7,851,191 or 7.41%, primarily due to contractual increases in payroll, and higher employee benefits expenses including health insurance and increases from changes in net pension liabilities valuation by the TRS and the ERS, and depreciation expenses.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 87.4% and 88.1% of the total for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 80.7% and 79.5% of the total for the years 2017 and 2016, respectively).

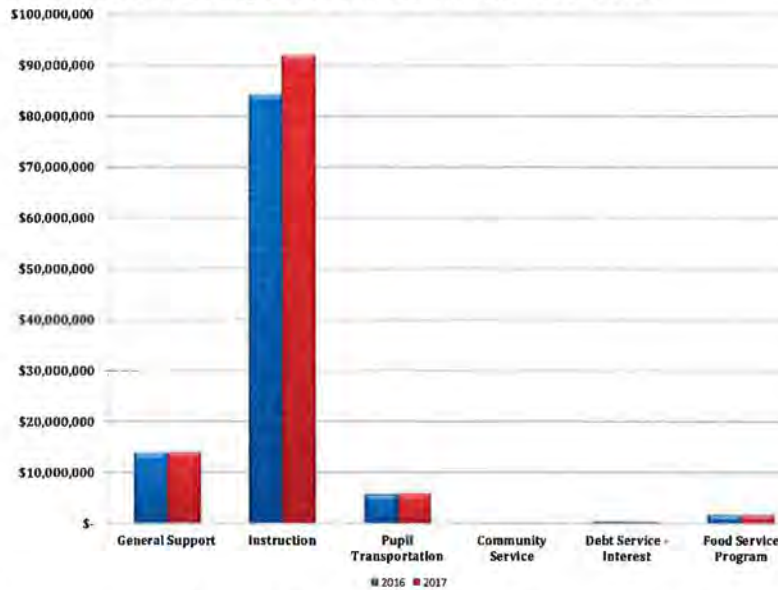
**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
<b>2016</b>	2.5%	1.1%	88.1%	4.7%	3.6%
<b>2017</b>	2.9%	1.3%	87.4%	5.0%	3.4%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
<b>2016</b>	13.0%	79.5%	5.3%	0.1%	0.4%	1.7%
<b>2017</b>	12.3%	80.7%	5.1%	0.1%	0.3%	1.5%

**JERICO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$86,177,612, which is an increase of \$9,590,588 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
<b>General Fund</b>			
Restricted			
Unemployment insurance	\$ 251,658	\$ 251,355	\$ 303
Retirement contribution	16,960,915	16,938,734	22,181
Employee benefit accrued liability	19,538,056	18,223,026	1,315,030
Capital	10,778,913	10,023,455	755,458
Assigned:			
Appropriated fund balance	5,324,198	4,200,000	1,124,198
Unappropriated fund balance	406,869	499,889	(93,020)
Unassigned: Fund balance	4,906,765	4,840,962	65,803
	<u>58,167,374</u>	<u>54,977,421</u>	<u>3,189,953</u>
<b>School Food Service Fund</b>			
Nonspendable: Inventory	44,664	43,878	786
Assigned: Unappropriated fund balance	468,578	385,189	83,389
	<u>513,242</u>	<u>429,067</u>	<u>84,175</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	1,055,908	1,055,908	-
<b>Capital Projects Fund</b>			
Restricted: Capital	18,138,070	10,086,488	8,051,582
Assigned: Unappropriated fund balance	8,303,018	10,038,140	(1,735,122)
	<u>26,441,088</u>	<u>20,124,628</u>	<u>6,316,460</u>
<b>Total Fund Balance</b>	<u>\$ 86,177,612</u>	<u>\$ 76,587,024</u>	<u>\$ 9,590,588</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$3,189,953, which is the operating surplus of the year. During 2016-17, the District appropriated \$9,301,260 from the capital reserve, as authorized by the voters in Proposition #2 of the May 16, 2017 budget vote, to transfer funds to the capital projects fund for the purpose of completing capital projects throughout the District. The District also appropriated funds from the retirement contribution reserve and the employee benefit accrued liability reserve for expenditures. The District replenished both reserves at year end, and funded the 2017 capital reserve, as authorized by the voters in Proposition #3 of the May 16, 2017 budget vote.

The District expects to appropriate \$544,981 from the retirement contribution reserve to help fund the 2017-18 budget.

**JERICO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**B. School Food Service Fund**

The school food service fund - fund balance increased by \$84,175, as compared to the prior year. This increase is primarily attributable to increases in sales and federal reimbursements for student lunches served.

**C. Debt Service Fund**

The debt service fund - fund balance did not change from the prior year.

**D. Capital Projects Fund**

The net change in the capital projects fund - fund balance is an increase of \$6,316,460, due to voter approved transfers from the general fund, offset by current year capital outlay.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016-17 Budget**

The District's general fund adopted budget for the year ended June 30, 2017 was \$121,024,051. This amount was increased by encumbrances carried forward from the prior year in the amount of \$499,889 and budget revisions totaling \$9,922,853 for a total final budget of \$131,446,793.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$106,236,917 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 4,840,962
Revenues Over Budget	2,765,351
Expenditures and Encumbrances Under Budget	15,137,171
Allocation to Reserves	(12,512,521)
Appropriated for the 2017-18 Budget	<u>(5,324,198)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,906,765</u>

**Opening, Unassigned Fund Balance**

The \$4,840,962 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 4.0% of the District's 2016-17 approved operating budget of \$121,024,051. It is the maximum unassigned fund balance permitted by law.

**JERICO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Revenues Over Budget

The 2016-17 final budget for revenues was \$116,327,355. Actual revenues received for the year were \$119,092,706. The excess of actual revenue over estimated or budgeted revenue was \$2,765,351. This positive variance contributes directly to the District's ability to fund the new capital reserve for needed capital projects, as indicated in the May 2017 voter authorized proposition, of \$10,000,000.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was \$131,446,793. Actual expenditures as of June 30, 2017 were \$115,902,753 and outstanding encumbrances were \$406,869. Combined, the expenditures plus encumbrances for 2016-17 were \$116,309,622. The final budget was under expended by \$15,137,171. The under expenditure of the budget contributes directly to the District's ability to fund the new capital reserve for needed capital projects, as indicated in the voter authorized proposition, of \$10,000,000.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$(12,512,521) shown in the previous table is made up of the following transfers: \$543,732 to the retirement contribution reserve; \$1,766,911 to the employee benefit accrued liability reserve; and \$10,000,000 to the new 2017 capital reserve. Additionally, interest earnings of \$201,878 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$5,324,198 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2017 was \$4,906,765. This amount equals 4.0% of the 2017-18 budget and is at the statutory limit.

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the following table. The net increase in capital assets is due to capital additions of \$4,182,438 in excess of depreciation of \$1,643,868 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

**JERICHO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 357,356	\$ 357,356	\$ -
Construction in progress	2,877,770	5,845,149	(2,967,379)
Buildings and improvements	32,881,202	27,456,422	5,424,780
Furniture and equipment	<u>1,209,075</u>	<u>1,127,906</u>	<u>81,169</u>
Capital assets, net	<u>\$ 37,325,403</u>	<u>\$ 34,786,833</u>	<u>\$ 2,538,570</u>

The District will continue to make significant capital expenditures funded by voter-approved capital reserves for capital improvements to District facilities.

**B. Debt Administration**

At June 30, 2017, the District had total bonds payable of \$3,560,000. The bonds were issued in 2007 to advance refund bonds that were originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2017. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
3/2007	3.48-5.00%	<u>\$ 3,560,000</u>	<u>\$ 4,990,000</u>	<u>\$ (1,430,000)</u>

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net other postemployment benefits obligation and net pension liability - proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation and the net pension liability - proportionate share are based on actuarial valuations.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Compensated absences payable	\$ 20,316,515	\$ 19,657,843	\$ 658,672
Net OPEB obligation	45,960,785	41,356,095	4,604,690
Net pension liability - proportionate share	<u>7,663,852</u>	<u>7,068,327</u>	<u>595,525</u>
	<u>\$ 73,941,152</u>	<u>\$ 68,082,265</u>	<u>\$ 5,858,887</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2017 are approximately 0.66% of the District's debt limit.

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$122,669,127. This is an increase of \$1,645,076 or 1.36% over the previous year's budget, and reflect contractual increases in instructional and central services,

**JERICO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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offset by decreases in debt service and Teachers' Retirement System and Employees' Retirement System contributions.

The District budgeted revenues other than property taxes at a \$526,283 increase over the prior year's estimate. This increase is principally due to estimated increases in state aid and miscellaneous revenues. The District has elected to appropriate \$544,981 from the retirement contribution reserve towards the next year's budget, a decrease of \$5,405 from the prior year. Additionally, the assigned, appropriated fund balance applied to the June 30, 2018 budget in the amount of \$5,324,198 is a \$1,124,198 increase over the previous year. There is no increase in the total property tax levy from 2016-17.

**B. Future Budgets**

Future budgets will be affected by rising costs of operations such as increases in the health insurance premiums and potential future costs which may arise from uncertainties surrounding the Affordable Care Act. The property tax cap, uncertainty in state aid and federal aid funding as well as changes in enrollment level may also impact the District's future budgets.

On May 19, 2015, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law Section 3651, to establish a capital reserve fund known as the "Facilities Improvement Program – Jericho Public Schools II" for the purpose of specified improvements and upgrades throughout the District. The maximum funding amount of the capital reserve fund was \$10,000,000, plus investment income, for a term of ten years. The funds were to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by law. The District has fully funded \$10 million into the Capital Reserve as of June 30, 2016 and accrued \$80,173 in interest through 2016-17. On May 16, 2017, the residents of the District voted on and authorized the Board of Education to expend \$9,301,260 from this capital reserve fund.

On May 16, 2017, the residents of the District voted on and authorized the Board of Education to establish a capital reserve known as the "Facilities Improvement Program – Jericho Public Schools III" for the purpose of specified improvements and upgrades throughout the District. The maximum amount of the capital reserve is \$20,000,000, plus investment income, for a term of ten years. The funds are to be transferred from surplus monies remaining in the general fund and/or from existing reserves as allowed by General Municipal and Education Law including a sum not to exceed an annual amount of \$10,000,000 beginning with the 2016-17 year. The District has funded \$10,000,000 into the capital reserve as of June 30, 2017.

The funding and utilization of these capital reserves allow the District to address much-needed capital needs without having to borrow or significantly increase annual budgets, and therefore tax levies, in the near future.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 1.52%. The District's actual 2017-18 property tax levy was not increased and did not require an override vote.

**JERICO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**D. Property Tax Relief Credit**

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

This program provides an incentive for school districts to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Victor Manuel  
Assistant Superintendent for Business Affairs  
Jericho Union Free School District  
99 Cedar Swamp Road  
Jericho, New York 11753-1202

**JERICO UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2017

**ASSETS**

Cash	
Unrestricted	\$ 24,927,122
Restricted	66,723,520
Receivables	
Accounts receivable	15,848
Taxes receivable	2,428,423
Due from fiduciary funds	30,284
Due from state and federal	2,315,360
Due from other governments	741,902
Inventory	
	44,664
Capital assets:	
Not being depreciated	3,235,126
Being depreciated, net of accumulated depreciation	<u>34,090,277</u>
Total Assets	<u>134,552,526</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	<u>36,140,920</u>
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**LIABILITIES**

Payables	
Accounts payable	2,111,239
Accrued liabilities	935,408
Due to other governments	102,735
Due to teachers' retirement system	5,856,740
Due to employees' retirement system	585,463
Unearned credits	
Collections in advance	110,396
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,420,000
Compensated absences payable	700,000
Due and payable after one year	
Bonds payable	2,140,000
Compensated absences payable	19,616,515
Net other postemployment benefits obligation	45,960,785
Net pension liability - proportionate share	<u>7,663,852</u>
Total Liabilities	<u>87,203,133</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>1,889,101</u>
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**NET POSITION**

Net investment in capital assets	<u>33,765,403</u>
Restricted:	
Unemployment insurance	251,658
Retirement contribution	16,960,915
Employee benefit accrued liability	19,538,056
Capital	28,916,983
Debt service	<u>1,055,908</u>
	<u>66,723,520</u>
Unrestricted (deficit)	<u>(18,887,711)</u>
Total Net Position	<u>\$ 81,601,212</u>

**JERICO UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 13,960,427	\$	\$	\$ (13,960,427)
Instruction	91,953,716	2,417,712	1,275,734	(88,260,270)
Pupil transportation	5,796,314			(5,796,314)
Community service	95,860			(95,860)
Debt service - interest	293,571			(293,571)
Food service program	1,743,367	1,073,918	266,242	(403,207)
<b>Total Functions and Programs</b>	<b>\$ 113,843,255</b>	<b>\$ 3,491,630</b>	<b>\$ 1,541,976</b>	<b>(108,809,649)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				102,600,250
Other tax items				6,431,112
Use of money and property				806,436
Forfeitures				8,909
Sale of property and compensation for loss				17,962
Miscellaneous				489,401
State sources				6,104,601
Medicaid reimbursement				28,184
<b>Total General Revenues</b>				<b>116,486,855</b>
<b>Change in Net Position</b>				<b>7,677,206</b>
<b>Total Net Position - Beginning of Year</b>				<b>73,924,006</b>
<b>Total Net Position - End of Year</b>				<b>\$ 81,601,212</b>

**JERICO UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
 June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 14,510,463	\$ 738,109	\$ 619,590	\$	\$ 9,058,960	\$ 24,927,122
Restricted	47,529,542			1,055,908	18,138,070	66,723,520
Receivables						
Accounts receivable	8,470		7,378			15,848
Taxes receivable	2,428,423					2,428,423
Due from other funds	1,863,981	702,027	55,102		42,734	2,663,844
Due from state and federal	1,931,436	383,924				2,315,360
Due from other governments	741,902					741,902
Inventory			44,664			44,664
Total Assets	<u>\$ 69,014,217</u>	<u>\$ 1,824,060</u>	<u>\$ 726,734</u>	<u>\$ 1,055,908</u>	<u>\$ 27,239,764</u>	<u>\$ 99,860,683</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 1,291,446	\$ 26,732	\$ 2,006	\$	\$ 791,055	\$ 2,111,239
Accrued liabilities	835,388	18,688	9,384			863,460
Due to other funds	758,456	1,755,137	112,346		7,621	2,633,560
Due to other governments	99,872		2,863			102,735
Due to teachers' retirement system	5,856,740					5,856,740
Due to employees' retirement system	585,463					585,463
Unearned credits						
Collections in advance		23,503	86,893			110,396
Total Liabilities	<u>9,427,365</u>	<u>1,824,060</u>	<u>213,492</u>	<u>-</u>	<u>798,676</u>	<u>12,263,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	<u>1,419,478</u>					<u>1,419,478</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory						
			<u>44,664</u>			<u>44,664</u>
Restricted:						
Unemployment insurance	251,658					251,658
Retirement contribution	16,960,915					16,960,915
Employee benefit accrued liability	19,538,056					19,538,056
Capital	10,778,913				18,138,070	28,916,983
Debt service				1,055,908		1,055,908
	<u>47,529,542</u>			<u>1,055,908</u>	<u>18,138,070</u>	<u>66,723,520</u>
Assigned:						
Appropriated fund balance	5,324,198					5,324,198
Unappropriated fund balance	406,869		468,578		8,303,018	9,178,465
	<u>5,731,067</u>		<u>468,578</u>		<u>8,303,018</u>	<u>14,502,663</u>
Unassigned fund balance	<u>4,906,765</u>					<u>4,906,765</u>
Total Fund Balances	<u>58,167,374</u>	<u>-</u>	<u>513,242</u>	<u>1,055,908</u>	<u>26,441,088</u>	<u>86,177,612</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 69,014,217</u>	<u>\$ 1,824,060</u>	<u>\$ 726,734</u>	<u>\$ 1,055,908</u>	<u>\$ 27,239,764</u>	<u>\$ 99,860,683</u>

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2017

Total Governmental Fund Balances		\$ 86,177,612
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		1,419,478
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	\$ 62,923,197	
Accumulated depreciation	<u>(25,597,794)</u>	37,325,403
Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	36,140,920	
Net pension liability - teachers' retirement system	(3,326,473)	
Net pension liability - employees' retirement system	(4,337,379)	
Deferred inflows of resources	<u>(1,889,101)</u>	26,587,967
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(71,948)	
Bonds payable	(3,560,000)	
Compensated absences payable	(20,316,515)	
Net other postemployment benefits obligation	<u>(45,960,785)</u>	(69,909,248)
Total Net Position		<u>\$ 81,601,212</u>

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 102,600,250	\$	\$	\$	\$	\$ 102,600,250
Other tax items	6,458,821					6,458,821
Charges for services	2,417,712					2,417,712
Use of money and property	806,436					806,436
Forfeitures	8,909					8,909
Sale of property and compensation for loss	17,962					17,962
Miscellaneous	489,401	22,995				512,396
Interfund revenue	24,177					24,177
State sources	6,226,543	354,965	14,780			6,596,288
Medicaid reimbursement	28,184					28,184
Federal sources		897,774	251,462			1,149,236
Sales			1,073,918			1,073,918
<b>Total Revenues</b>	<b>119,078,395</b>	<b>1,275,734</b>	<b>1,340,160</b>	<b>-</b>	<b>-</b>	<b>121,694,289</b>
<b>EXPENDITURES</b>						
General support	9,901,846					9,901,846
Instruction	64,401,778	1,487,667				65,889,445
Pupil transportation	5,218,751	52,143				5,270,894
Community service	77,342					77,342
Employee benefits	23,888,061		371,489			24,259,550
Debt service						
Principal				1,430,000		1,430,000
Interest	115,683			203,956		319,639
Food service program			1,084,496			1,084,496
Capital outlay					3,870,489	3,870,489
<b>Total Expenditures</b>	<b>103,603,461</b>	<b>1,539,810</b>	<b>1,455,985</b>	<b>1,633,956</b>	<b>3,870,489</b>	<b>112,103,701</b>
Excess (Deficiency) of Revenues Over Expenditures	15,474,934	(264,076)	(115,825)	(1,633,956)	(3,870,489)	9,590,588
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	14,311	264,076	200,000	1,633,956	10,201,260	12,313,603
Operating transfers (out)	(12,299,292)				(14,311)	(12,313,603)
<b>Total Other Financing Sources and Uses</b>	<b>(12,284,981)</b>	<b>264,076</b>	<b>200,000</b>	<b>1,633,956</b>	<b>10,186,949</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,189,953</b>	<b>-</b>	<b>84,175</b>	<b>-</b>	<b>6,316,460</b>	<b>9,590,588</b>
<b>Fund Balances - Beginning of Year</b>	<b>54,977,421</b>		<b>429,067</b>	<b>1,055,908</b>	<b>20,124,628</b>	<b>76,587,024</b>
<b>End of Year</b>	<b>\$ 58,167,374</b>	<b>\$ -</b>	<b>\$ 513,242</b>	<b>\$ 1,055,908</b>	<b>\$ 26,441,088</b>	<b>\$ 86,177,612</b>

**JERICO UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2017

Net Change in Fund Balances		\$ 9,590,588
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Change in unavailable revenue	\$ (149,651)	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	(658,672)	
Increase in net other postemployment benefits obligation	<u>(4,604,690)</u>	(5,413,013)
<u>Capital Related Differences</u>		
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 Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.		
Capital outlays	4,182,438	
Depreciation expense	<u>(1,643,868)</u>	2,538,570
<u>Long-Term Debt Transactions Differences</u>		
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Repayment of bond principal	1,430,000	
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. This is the amount by which accrued interest decreased from June 30, 2016 to June 30, 2017.		
	<u>26,068</u>	1,456,068
<u>Pension Differences</u>		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Teachers' retirement system	142,751	
Employees' retirement system	<u>(637,758)</u>	<u>(495,007)</u>
Change in Net Position of Governmental Activities		<u>\$ 7,677,206</u>

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2017

	Agency	Private Purpose Trust
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 675,648	\$
Restricted		148,073
Due from other funds	79,300	
Total Assets	\$ 754,948	148,073
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 154,896	
Due to other funds	30,284	79,300
Other liabilities	569,768	
Total Liabilities	\$ 754,948	79,300
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 68,773

**JERICO UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2017

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 29,782
Investment earnings	
Interest	<u>113</u>
Total Additions	29,895
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>40,050</u>
Change in Net Position	(10,155)
Net Position - Beginning of Year	<u>78,928</u>
Net Position - End of Year	<u>\$ 68,773</u>

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Jericho Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

**A. Reporting Entity**

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

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

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

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. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the 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 Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the 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

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

**Governmental Funds** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

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

**School Food Service Fund** - is used to account for the activities of the food service program.

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

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**Fiduciary Funds** – are used to account for activities 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 to finance District operations. The following are the District’s fiduciary funds:

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

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

**D. Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. 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. 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 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than August 15<sup>th</sup> and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected without penalty by the towns of Oyster Bay and North Hempstead from October 1<sup>st</sup> to November 10<sup>th</sup>, and April 1<sup>st</sup> through May 10<sup>th</sup>, and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County in June.

Payments in Lieu of Taxes (PILOT)

The District reports payments in lieu of taxes (PILOT) revenues in the general fund as part of other tax items revenue. These PILOT revenues are often the results of tax abatements granted by industrial development agencies of the town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected PILOTs to the District.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law Section 1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, "Tax Abatement Disclosures", under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments.

**F. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

**G. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**H. 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 the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, termination benefits, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any.

**K. Inventory**

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**L. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	50 years
Furniture and equipment	5,000	5-20 years
Land improvements	15,000	20 years
Vehicles	5,000	8 years

**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District' proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**N. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**P. Employee Benefits – Compensated Absences**

Compensated absences consist of unpaid accumulated sick leave and vacation time.

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**Q. Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are 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 an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**R. Short-Term Debt**

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

**S. Equity Classifications**

District-Wide Statements

In the district-wide statements there are three classes of net position:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

*Unemployment Insurance Reserve*

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

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time 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.

*Capital Reserve*

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund and capital projects fund.

*Restricted for Debt Service*

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

*Restricted for Scholarships*

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

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**JERICHO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Unassigned* – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

**Fund Balance Classification**

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about abatement agreements impacting tax revenues.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the District’s governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Instructional supplies funded by donations	\$ 53,690
Voter authorized transfer to the capital projects fund funded by the capital reserve	9,301,260
Employee benefit accrued liability reserve appropriation	<u>567,903</u>
	<u>\$ 9,922,853</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. 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 FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2017, the District was billed \$3,450,495 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$949,739. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State - excess cost aid	\$ 860,921
New York State - homeless aid	518,058
BOCES aid	552,457
	<u>1,931,436</u>
Special Aid Fund	
Federal and state grants	383,924
	<u>\$ 2,315,360</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2017 consisted of:

General Fund	
Tuition receivable	\$ 328,282
Health services	373,633
Nassau County drug and alcohol grant	39,987
	<u>\$ 741,902</u>

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 357,356	\$	\$	\$ 357,356
Construction in progress	5,845,149	2,783,465	(5,750,844)	2,877,770
Total capital assets not being depreciated	<u>6,202,505</u>	<u>2,783,465</u>	<u>(5,750,844)</u>	<u>3,235,126</u>
Capital assets being depreciated				
Buildings and improvements	49,859,958	6,816,816		56,676,774
Furniture and equipment	3,133,521	333,001	(455,225)	3,011,297
Total capital assets being depreciated	<u>52,993,479</u>	<u>7,149,817</u>	<u>(455,225)</u>	<u>59,688,071</u>
Less accumulated depreciation for:				
Buildings and improvements	22,403,536	1,392,036		23,795,572
Furniture and equipment	2,005,615	251,832	(455,225)	1,802,222
Total accumulated depreciation	<u>24,409,151</u>	<u>1,643,868</u>	<u>(455,225)</u>	<u>25,597,794</u>
Total capital assets, being depreciated, net	<u>28,584,328</u>	<u>5,505,949</u>	-	<u>34,090,277</u>
Capital assets, net	<u>\$ 34,786,833</u>	<u>\$ 8,289,414</u>	<u>\$ (5,750,844)</u>	<u>\$ 37,325,403</u>

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to governmental functions as follows:

General support	\$ 185,241
Instruction	1,369,594
Pupil transportation	72,729
Food service program	<u>16,304</u>
 Total depreciation expense	 <u>\$ 1,643,868</u>

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,863,981	\$ 758,456	\$ 14,311	\$ 12,299,292
Special Aid Fund	702,027	1,755,137	264,076	
School Food Service Fund	55,102	112,346	200,000	
Debt Service Fund			1,633,956	
Capital Projects Fund	<u>42,734</u>	<u>7,621</u>	<u>10,201,260</u>	<u>14,311</u>
Total Governmental Funds	2,663,844	2,633,560	<u>\$ 12,313,603</u>	<u>\$ 12,313,603</u>
Fiduciary Funds	<u>79,300</u>	<u>109,584</u>		
 Total	 <u>\$ 2,743,144</u>	 <u>\$ 2,743,144</u>		

The District typically transfers from the general fund to the special aid fund, school food service fund, debt service fund and capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund was to provide support for the program per the approved budget. The transfers to the capital projects fund were for capital improvements in accordance with voters-approved budget and capital reserves spending propositions.

**11. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2016	Issued	Redeemed	Balance June 30, 2017
TAN	6/23/2017	0.9-1.75%	<u>\$</u>	<u>\$ 9,500,000</u>	<u>\$ (9,500,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$115,683. The District did receive an issuance premium in the amount of \$45,983, which was recorded as miscellaneous revenue.

**JERICHO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 4,990,000	\$	\$ (1,430,000)	\$ 3,560,000	\$ 1,420,000
Other long-term liabilities					
Compensated absences	19,657,843	1,209,058	(550,386)	20,316,515	700,000
	<u>\$ 24,647,843</u>	<u>\$ 1,209,058</u>	<u>\$ (1,980,386)</u>	<u>\$ 23,876,515</u>	<u>\$ 2,120,000</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Refunding serial bond	3/8/2007	8/1/2019	3.48-5.00%	<u>\$ 3,560,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,420,000	\$ 139,838	\$ 1,559,838
2019	1,405,000	71,875	1,476,875
2020	735,000	18,375	753,375
Total	<u>\$ 3,560,000</u>	<u>\$ 230,088</u>	<u>\$ 3,790,088</u>

**C. Interest Expense**

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

Interest paid	\$ 203,956
Less interest accrued in the prior year	(98,016)
Plus interest accrued in the current year	<u>71,948</u>
Total interest expense on long-term debt	<u>\$ 177,888</u>

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. PENSION PLANS – NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at the New York State Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% for covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.35% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017, was \$5,704,789 for TRS and \$1,993,467 for ERS.

**D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS in reports provided to the District.

	TRS	ERS	
Measurement date	June 30, 2016	March 31, 2017	
District's proportionate share of the net pension liability	\$ (3,326,473)	\$ (4,337,379)	
District's portion of the Plan's total net pension liability	0.3105830%	0.0461609%	
Change in proportion since the prior measurement date	(0.0078010)	0.0021222	

For the year ended June 30, 2017, the District recognized pension expense of \$5,558,084 for TRS and \$2,628,130 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 108,691	\$ 1,080,625	\$ 658,656
Changes of assumptions	18,949,707	1,481,808		
Net difference between projected and actual earnings on pension plan investments	7,479,660	866,350		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	464,562	505,118	140,182	9,638
District's contributions subsequent to the measurement date	<u>5,699,561</u>	<u>585,463</u>		
Total	<u>\$ 32,593,490</u>	<u>\$ 3,547,430</u>	<u>\$ 1,220,807</u>	<u>\$ 668,294</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2018	\$ 2,369,414	\$ 964,559
2019	2,369,414	964,559
2020	8,178,325	877,492
2021	6,371,004	(512,937)
2022	2,952,124	
Thereafter	<u>3,432,841</u>	
	<u>\$ 25,673,122</u>	<u>\$ 2,293,673</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustment	1.5%	1.3%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

**JERICHO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015 was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	\$ (43,401,398)	\$ (3,326,473)	\$ 30,286,274
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (13,852,729)	\$ (4,337,379)	\$ 3,707,832

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	\$ (108,577,184)	\$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	\$ (1,071,042)	\$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions payable as of June 30, 2017 amounted to \$5,704,789 of employer contributions and \$253,684 of employee contributions, net of a credit from TRS for a prior year adjustment.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$585,643 of employer contributions. Employee contributions are remitted monthly.

**14. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$567,903 and \$3,227,740, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017 totaled \$753,970.

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**15. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The District provides medical and Medicare part B reimbursement, and dental and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District assumes between 35% and 50% of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of \$1,965,110 for insurance premiums for 246 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

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

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

Annual required contribution (ARC)	\$ 7,215,673
Interest on net OPEB obligation	1,654,244
Adjustment to ARC	<u>(2,300,117)</u>
Annual OPEB cost (expense)	6,569,800
Contributions made	<u>(1,965,110)</u>
Increase in net OPEB obligation	4,604,690
Net OPEB obligation - beginning of year	<u>41,356,095</u>
Net OPEB obligation - end of year	<u>\$ 45,960,785</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 6,569,800	29.9%	\$ 45,960,785
June 30, 2016	6,509,169	26.1%	41,356,095
June 30, 2015	6,456,474	23.2%	36,548,933

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**D. Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$88,370,863 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$88,370,863. The covered payroll (annual payroll of active employees covered by the plan) was \$59,577,472, and the ratio of the UAAL to the covered payroll was 148.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.0% discount rate (the projected unit credit actuarial cost method and a 4.0% discount rate were used in the previous valuation) and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% as of June 30, 2022. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

**16. RISK MANAGEMENT**

**A. General Information**

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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**B. Public Entity Risk Pool**

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

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate \$544,981 from the retirement contribution reserve, which is reported in the June 30, 2017 restricted fund balances, to fund the budget for the year ending June 30, 2018.

**18. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$5,324,198 has been appropriated to partially fund the budget for the year ending June 30, 2018.

**19. TAX ABATEMENTS**

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. As a result of those abatement programs, the District's 2016-17 property taxes were abated by \$892,941. The District received payment in lieu of taxes (PILOT) payments totaling \$559,056.

**20. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as assigned fund balance. At June 30, 2017, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General Support	\$ 219,668
Instruction	185,039
Pupil Transportation	<u>2,162</u>
	406,869

Capital Projects Fund

Capital Projects	<u>1,210,624</u>
	<u>\$ 1,617,493</u>

**B. Grants**

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

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was approximately \$191,000. The minimum remaining operating lease payments are as follows:

**JERICO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 185,928
2019	<u>138,726</u>
	<u>\$ 324,654</u>

**21. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through September 28, 2017, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**Issuance of TANs**

On September 19, 2017, the District awarded the winning bids for its \$9,500,000 tax anticipation notes. The TANs are issued on September 28, 2017 and matures on June 22, 2018, with the stated interest rate of 2.0%. The District received a premium of \$70,797, to yield an effective interest rate of 0.9895%.

**JERICO UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 102,600,250	\$ 102,600,250	\$ 102,600,250	\$ -
Other tax items	6,561,415	6,561,415	6,458,821	(102,594)
Charges for services	1,717,000	1,717,000	2,417,712	700,712
Use of money and property	600,000	600,000	806,436	206,436
Forfeiture	15,000	15,000	8,909	(6,091)
Sale of property and compensation for loss			17,962	17,962
Miscellaneous	110,000	163,690	489,401	325,711
Interfund revenues	20,000	20,000	24,177	4,177
<b>Total Local Sources</b>	<b>111,623,665</b>	<b>111,677,355</b>	<b>112,823,668</b>	<b>1,146,313</b>
<b>State Sources</b>	<b>4,600,000</b>	<b>4,600,000</b>	<b>6,226,543</b>	<b>1,626,543</b>
<b>Medicaid Reimbursement</b>	<b>50,000</b>	<b>50,000</b>	<b>28,184</b>	<b>(21,816)</b>
<b>Total Revenues</b>	<b>116,273,665</b>	<b>116,327,355</b>	<b>119,078,395</b>	<b>2,751,040</b>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In			14,311	14,311
<b>Total Revenues and Other Sources</b>	<b>116,273,665</b>	<b>116,327,355</b>	<b>119,092,706</b>	<b>\$ 2,765,351</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	4,200,000	4,200,000		
Prior Year's Encumbrances	499,889	499,889		
<b>Appropriated Reserves</b>				
Retirement contribution	550,386	550,386		
Employee benefit accrued liability		567,903		
Capital		9,301,260		
<b>Total Appropriated Fund Balance</b>	<b>5,250,275</b>	<b>15,119,438</b>		
<b>Total Revenues, Other Sources and Appropriated Fund Balance</b>	<b>\$ 121,523,940</b>	<b>\$ 131,446,793</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**JERICO UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 101,150	\$ 101,150	\$ 76,882	\$	\$ 24,268
Central administration	497,157	497,157	482,277		14,880
Finance	1,211,979	1,211,979	1,008,176	23,650	180,153
Staff	880,039	880,039	774,941		105,098
Central services	8,223,409	8,167,135	6,764,577	196,018	1,206,540
Special items	900,000	900,000	794,993		105,007
<b>Total General Support</b>	<b>11,813,734</b>	<b>11,757,460</b>	<b>9,901,846</b>	<b>219,668</b>	<b>1,635,946</b>
<b>Instruction</b>					
Administration & improvement	4,884,503	4,884,503	4,620,387	702	263,414
Teaching - regular school	38,530,644	38,865,398	33,501,930	75,137	5,288,331
Programs for students with disabilities	20,911,792	20,951,308	17,317,239		3,634,069
Occupational education	125,000	125,000	101,313		23,687
Instructional media	3,537,375	3,801,242	3,444,337	59,481	297,424
Pupil services	5,756,332	5,778,062	5,416,572	49,719	311,771
<b>Total Instruction</b>	<b>73,745,646</b>	<b>74,405,513</b>	<b>64,401,778</b>	<b>185,039</b>	<b>9,818,696</b>
Pupil Transportation	6,056,596	6,056,596	5,218,751	2,162	835,683
Community Services	72,125	90,125	77,342		12,783
Employee Benefits	26,496,883	26,496,883	23,888,061		2,608,822
Debt Service: Interest	160,000	160,000	115,683		44,317
<b>Total Expenditures</b>	<b>118,344,984</b>	<b>118,966,577</b>	<b>103,603,461</b>	<b>406,869</b>	<b>14,956,247</b>
<b>OTHER FINANCING USES</b>					
Operating Transfers Out	3,178,956	12,480,216	12,299,292		180,924
<b>Total Expenditures and Other Uses</b>	<b>\$ 121,523,940</b>	<b>\$ 131,446,793</b>	<b>115,902,753</b>	<b>\$ 406,869</b>	<b>\$ 15,137,171</b>
Net Change in Fund Balance			3,189,953		
Fund Balances - Beginning of Year			54,977,421		
Fund Balances - End of Year			<u>\$ 58,167,374</u>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**JERICO UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
 June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 64,147,385	\$ 64,147,385	0%	\$ 51,832,532	123.8%
July 1, 2014	-	65,011,330	65,011,330	0%	58,965,690	110.3%
July 1, 2016	-	88,370,863	88,370,863	0%	59,577,472	148.3%

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
 Last Three Fiscal Years

***Teachers' Retirement System***

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.3105830%	0.3183840%	0.3132890%
District's proportionate share of the net pension asset (liability)	\$ (3,326,473)	\$ 33,069,962	\$ 34,898,485
District's covered payroll	\$ 47,778,311	\$ 47,825,613	\$ 46,227,722
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(7.00)%	69.10 %	75.50 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

***Employees' Retirement System***

	2017	2016	2015
District's proportion of the net pension liability	0.0461609%	0.0440387%	0.0446373%
District's proportionate share of the net pension liability	\$ (4,337,379)	\$ (7,068,327)	\$ (1,507,956)
District's covered payroll	\$ 14,483,504	\$ 14,043,651	\$ 13,444,094
District's proportionate share of the net pension liability as a percentage of its covered payroll	(29.95)%	(50.33)%	(11.22)%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

**Employees' Retirement System**

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

**JERICO UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
 Last Ten Fiscal Years

*Teachers' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 5,704,789	\$ 6,354,997	\$ 8,383,830	\$ 7,520,130	\$ 5,459,091	\$ 5,109,591	\$ 3,984,451	\$ 2,818,371	\$ 3,302,016	\$ 3,631,231
Contributions in relation to the contractually required contribution	5,704,789	6,354,997	8,383,830	7,520,130	5,459,091	5,109,591	3,984,451	2,818,371	3,302,016	3,631,231
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 48,675,674	\$ 47,778,311	\$ 47,825,613	\$ 46,227,722	\$ 46,107,185	\$ 45,990,914	\$ 46,223,333	\$ 45,531,039	\$ 43,276,750	\$ 41,594,859
Contributions as a percentage of covered payroll	12%	13%	18%	16%	12%	11%	9%	6%	8%	9%

*Employees' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,993,467	\$ 2,101,938	\$ 2,238,549	\$ 2,690,137	\$ 2,635,354	\$ 1,813,703	\$ 1,518,861	\$ 972,349	\$ 839,486	\$ 1,103,421
Contributions in relation to the contractually required contribution	1,993,467	2,101,938	2,238,549	2,690,137	2,635,354	1,813,703	1,518,861	972,349	839,486	1,103,421
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,890,970	\$ 13,861,931	\$ 12,825,571	\$ 12,506,699	\$ 13,340,531	\$ 13,318,780	\$ 12,141,573	\$ 12,748,206	\$ 11,921,585	\$ 10,491,577
Contributions as a percentage of covered payroll	14%	15%	17%	22%	20%	14%	13%	8%	7%	11%

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 121,024,051
Additions:		
Prior year's encumbrances		<u>499,889</u>
Original Budget		<u>121,523,940</u>
Budget revision		
Instructional supplies funded by donations		53,690
Voter authorized transfer to the capital projects fund funded by the capital reserve		9,301,260
Employee benefit accrued liability reserve appropriation		<u>567,903</u>
Total budget revisions		<u>9,922,853</u>
Final Budget		<u>\$ 131,446,793</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget		<u>\$ 122,669,127</u>
Maximum allowed (4% of 2017-18 budget)		<u>\$ 4,906,765</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 5,731,067	
Unassigned fund balance	<u>4,906,765</u>	
		\$ 10,637,832
Less:		
Appropriated fund balance	5,324,198	
Encumbrances	<u>406,869</u>	
Total adjustments		<u>5,731,067</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u>\$ 4,906,765</u>
Actual Percentage		4.00%

**JERICHO UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For The Year Ended June 30, 2017

PROJECT TITLE	Expenditures					Methods of Financing				Fund Balance June 30, 2017	
	Budget June 30, 2016	Budget June 30, 2017	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations/ State Aid	Local Sources	Transfer out to General Fund		Total
Springer gym roof	\$ 300,000	\$ 300,000	\$ 296,524	\$	\$ 296,524	\$ 3,476	\$	\$ 300,000	\$	\$ 300,000	\$ 3,476
Pool roof	375,000	375,000	346,455		346,455	28,545		375,000		375,000	28,545
Robert Williams Elementary Middle School/High School freight elevator/walk-in boxes/generator	1,000,000	1,000,000	628,227		628,227	371,773		1,000,000		1,000,000	371,773
	1,156,516	1,156,516	885,078	225,227	1,110,305	46,211		1,156,516		1,156,516	46,211
Cantiague lighting/stair enclosures	255,838	250,915	246,712	4,203	250,915	-		255,838	(4,923)	250,915	-
Jackson lighting and gym floor	286,494	281,279	281,279		281,279	-		286,494	(5,215)	281,279	-
Seaman lighting/painting	201,153	196,980	196,979		196,979	1		201,153	(4,173)	196,980	1
Middle School/High School auditorium	3,650,000	3,618,069	3,280,765	260,895	3,541,660	76,409		3,618,069		3,618,069	76,409
District-wide security and technology upgrades	150,000	181,931	128,575	53,356	181,931	-		181,931		181,931	-
2014-15 District-wide upgrades and replacements	900,000	900,000	250,155	151,234	401,389	498,611		900,000		900,000	498,611
2015-16 District-wide upgrades and replacements	900,000	900,000	349,847	134,224	484,071	415,929		900,000		900,000	415,929
Emergency projects	1,535,000	1,535,000	902	1,284,783	1,285,685	249,315		1,535,000		1,535,000	249,315
2015-16 Proposition No. 2	16,306,125	16,306,125		1,325,973	1,325,973	14,980,152		16,306,125		16,306,125	14,980,152
2016-17 Proposition No. 2		9,301,260		114	114	9,301,146		9,301,260		9,301,260	9,301,146
District-wide upgrades and replacements		900,000		430,480	430,480	469,520		900,000		900,000	469,520
<b>Totals</b>	<b>\$ 27,016,126</b>	<b>\$ 37,203,075</b>	<b>\$ 6,891,498</b>	<b>\$ 3,870,489</b>	<b>\$ 10,761,987</b>	<b>\$ 26,441,088</b>	<b>\$ -</b>	<b>\$ 37,217,386</b>	<b>\$ (14,311)</b>	<b>\$ 37,203,075</b>	<b>\$ 26,441,088</b>

**JERICO UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2017

Capital assets, net	<u>\$ 37,325,403</u>
Short-term portion of bonds payable	1,420,000
Long-term portion of bonds payable	<u>2,140,000</u>
	<u>3,560,000</u>
Net Investment in Capital Assets	<u>\$ 33,765,403</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Jericho Union Free School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Jericho Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jericho Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jericho Union Free School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jericho Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Jericho Union Free School District in a separate letter dated September 28, 2017.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Danowski, LLP*

September 28, 2017

