JERICHO UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2018

JERICHO 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, 2018, 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, 2018, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is 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, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 50 through 54, 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 55 through 57 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 October 10, 2018 on our consideration of the Jericho Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jericho Union Free School District's 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

October 10, 2018

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, 2018 in comparison with the year ended June 30, 2017, 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 2018 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by $4,877,185. This was due to an excess of revenues over expenses based on the economic resources measurement focus and the accrual basis of accounting.

- The District's total net position at June 30, 2017 was restated and decreased by $47,613,191, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.

- The District received $1,078,673 in operating grants to support instructional programs.

- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $116,726,050. Of this amount, $4,589,873 was offset by program charges for services and operating grants. General revenues of $117,013,362 amount to 96.2% 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, decreased by $6,355,700. On May 15, 2018, the residents of the District voted on and authorized the Board of Education to expend a sum not to exceed $16,125,134 from capital reserves and fund balance as follows; $783,337 from the capital reserve fund established on May 19, 2015; $10,007,400 from the capital reserve fund established on May 16, 2017; and $5,334,397 from fund balance for the purpose of completing capital improvements and upgrades throughout the District. The District transferred the $16,125,134 to the capital projects fund as of June 30, 2018. The decrease in the general fund's total fund balance was related to this one-time transfer as authorized by the capital proposition.

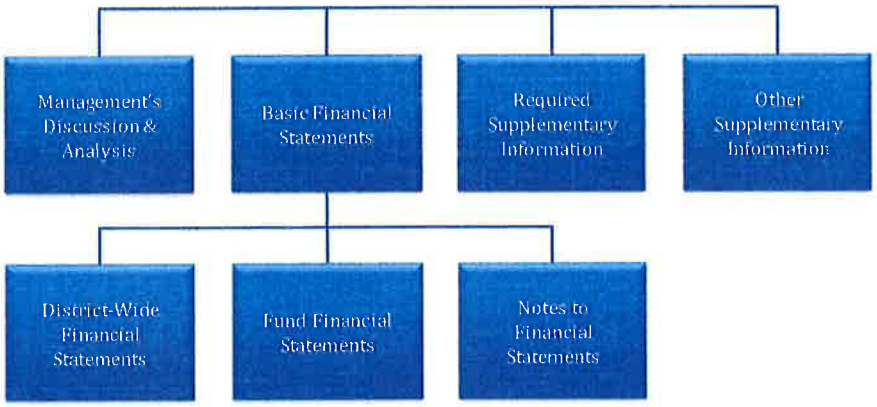
- The District's 2017-2018 property tax levy of $106,236,917 was the same as the 2016-2017 tax levy.

- On May 15, 2018, the proposed 2018-2019 budget in the amount of $122,653,735, was authorized by the District's voters. The budget resulted in no increase to the tax levy.

- 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. In fact, the Jericho School District has recently been recognized as the number one public school district in the United States of America by Niche.com, sponsored by Business Insider. The District continues to offer all programs without reducing services.

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 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 economic resources measurement focus and 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.

Governmental Funds

These statements utilize the current financial resources measurement focus and 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 economic resources measurement focus and 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-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 $4,877,185 between fiscal year 2018 and 2017. The June 30, 2017 net position has been restated and decreased by $47,613,191, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the restated June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	$ 96,703,610	$ 97,227,123	$ (523,513)	(0.54)%
Capital Assets, Net	47,595,349	37,325,403	10,269,946	27.51 %
Net Pension Asset - Proportionate Share	2,334,766		2,334,766	0.00 %
Total Assets	146,633,725	134,552,526	12,081,199	8.98 %
Deferred Outflows of Resources	36,014,272	36,140,920	(126,648)	(0.35)%
Liabilities				
Current and Other Liabilities	10,075,859	9,701,981	373,878	3.85 %
Long-Term Liabilities	22,168,165	23,876,515	(1,708,350)	(7.15)%
Net Pension Liability - Proportionate Share	1,471,744	7,663,852	(6,192,108)	(80.80)%
Total OPEB Obligation	98,852,202	93,573,976	5,278,226	5.64 %
Total Liabilities	132,567,970	134,816,324	(2,248,354)	(1.67)%
Deferred Inflows of Resources	11,214,821	1,889,101	9,325,720	493.66 %
Net Position				
Net investment in capital assets	45,455,349	33,765,403	11,689,946	34.62 %
Restricted	62,772,317	66,723,520	(3,951,203)	(5.92)%
Unrestricted (Deficit)	(69,362,460)	(66,500,902)	(2,861,558)	4.30 %
Total Net Position	$ 38,865,206	$ 33,988,021	$ 4,877,185	14.35 %

Current and other assets decreased by $523,513, as compared to the prior year. The decrease is primarily related to a decrease in cash, offset partially by an increase in amounts due from other governments, as the District did not receive the second half of the payments in lieu of taxes (PILOT) payment from LIPA as of June 30, 2018.

Capital assets, net increased by $10,269,946, 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 has a balance of $2,334,766, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

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

Current and other liabilities increased by $373,878, as compared to the prior year. This increase is partially related to increases in accounts payable, accrued liabilities and amounts due to fiduciary funds,

offset partially by a decrease in the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate.

Long-term liabilities decreased by $1,708,350, as compared to the prior year. This decrease is the result of the repayment of the current maturity of the bond indebtedness of $1,420,000, and a decrease in the compensated absences liability.

Net pension liability – proportionate share decreased by $6,192,108 in the current year, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset as of June 30, 2018. The prior year balance was a liability of $3,326,473. The remainder of the decrease represents the decrease in the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective years.

Total other postemployment benefits (OPEB) obligation increased by $5,278,226, as compared to the prior year. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of 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	$ 12,223,071
Principal debt reduction of construction bonds	1,420,000
Depreciation expense	(1,953,125)
	$ 11,689,946

The restricted amount of $62,772,317 relates to the District's reserves. This number decreased from the prior year by $3,951,203, as the use of reserves including capital outlays related to projects funded by voter approved capital reserves, exceeded the funding and interest earnings of the reserves.

The unrestricted (deficit) amount of $(69,362,460) relates to the balance of the District's net position, excluding 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 OPEB obligation.

B. Changes in Net Position

The results of 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, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 3,248,517	$ 3,491,630	$ (243,113)	(6.96)%
Operating Grants	1,341,356	1,541,976	(200,620)	(13.01)%
General Revenues				
Property Taxes and STAR	106,236,917	106,236,917	-	0.00 %
State Sources	6,175,337	6,104,601	70,736	1.16 %
Other	4,601,108	4,145,337	455,771	10.99 %
Total Revenues	121,603,235	121,520,461	82,774	0.07 %
Expenses				
General Support	13,860,851	13,960,427	(99,576)	(0.71)%
Instruction	95,100,718	91,953,716	3,147,002	3.42 %
Pupil Transportation	5,732,715	5,796,314	(63,599)	(1.10)%
Community Service	79,184	95,860	(16,676)	(17.40)%
Debt Service - Interest	251,806	293,571	(41,765)	(14.23)%
Food Service Program	1,700,776	1,743,367	(42,591)	(2.44)%
Total Expenses	116,726,050	113,843,255	2,882,795	2.53 %
Increase in Net Position	$ 4,877,185	$ 7,677,206	$ (2,800,021)	(36.47)%

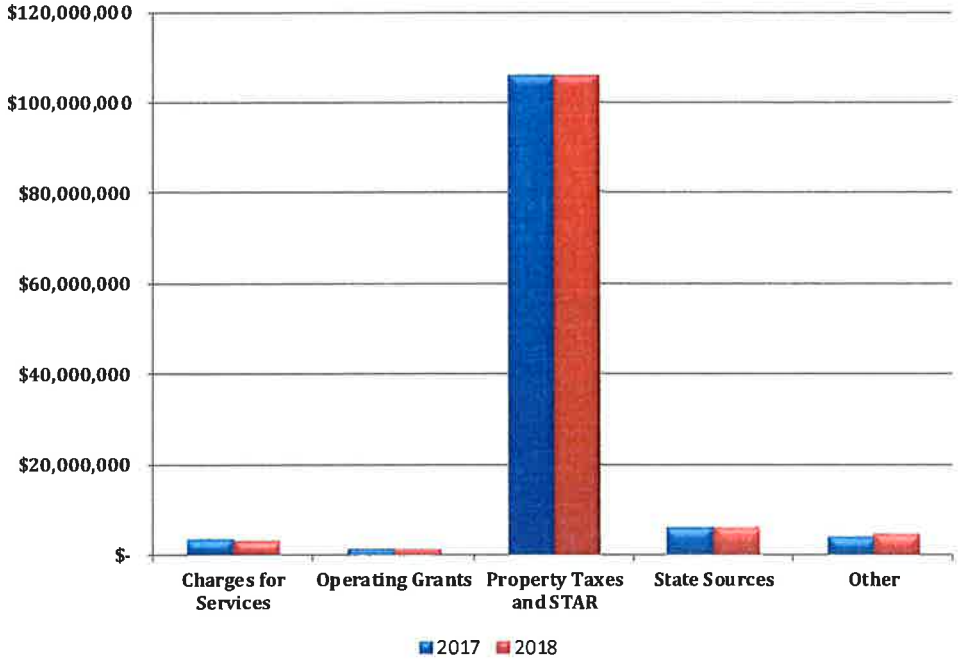
The District's net position increased by $4,877,185 and $7,677,206 for the years ended June 30, 2018 and June 30, 2017, respectively.

The District's revenues on the accrual basis increased by $82,774 or 0.07%. The major factors that contributed to the increase were higher PILOT and interest revenues in the current year than during the prior year, offset by decreases in charges for services and operating grants.

The District's expenses on the accrual basis for the year increased by $2,882,795 or 2.53%, primarily due to contractual increases in payroll, and higher employee benefits expenses.

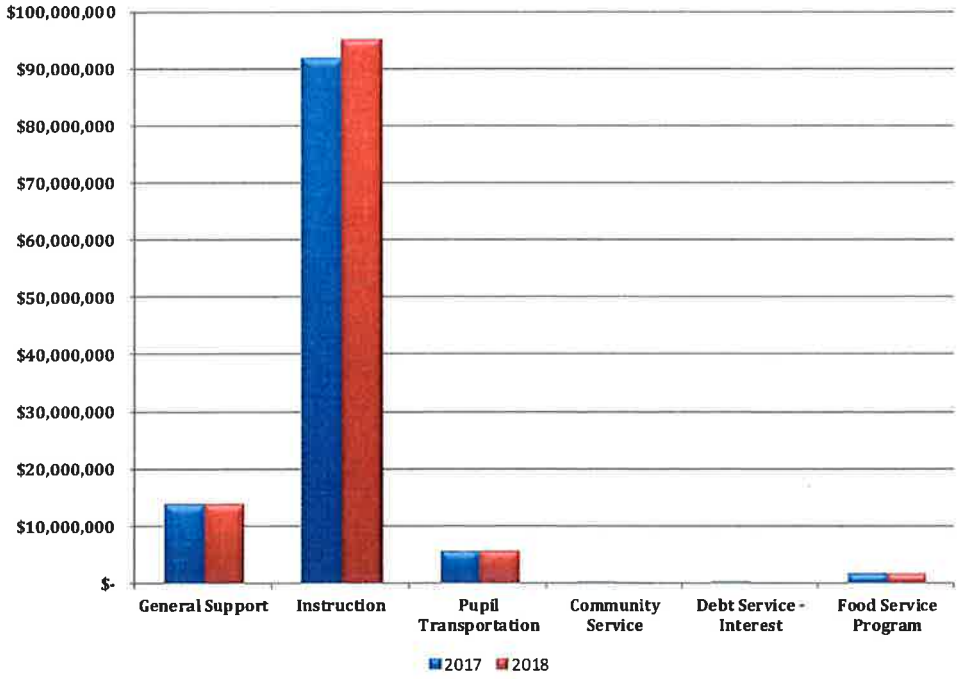
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 87.4% of the total for both years 2018 and 2017). Instruction expenses is the largest category of expenses incurred (i.e., 81.4% and 80.7% of the total for the years 2018 and 2017, respectively).

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
2017	2.9%	1.3%	87.4%	5.0%	3.4%
2018	2.7%	1.1%	87.4%	5.1%	3.7%

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
2017	12.3%	80.7%	5.1%	0.1%	0.3%	1.5%
2018	11.9%	81.4%	4.9%	0.1%	0.2%	1.5%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of $85,105,136, which is a decrease of $1,072,476 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2018	2017	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	$ 29,375	$	$ 29,375
Restricted			
Unemployment insurance	252,161	251,658	503
Retirement contribution	16,756,709	16,960,915	(204,206)
Employee benefit accrued liability	19,282,491	19,538,056	(255,565)
Capital	6,081,621	10,778,913	(4,697,292)
Assigned:			
Appropriated fund balance	4,100,000	5,324,198	(1,224,198)
Unappropriated fund balance	403,167	406,869	(3,702)
Unassigned: Fund balance	4,906,150	4,906,765	(615)
	51,811,674	58,167,374	(6,355,700)
School Food Service Fund			
Nonspendable: Inventory	47,580	44,664	2,916
Assigned: Unappropriated fund balance	439,031	468,578	(29,547)
	486,611	513,242	(26,631)
Debt Service Fund			
Restricted: Debt service	905,908	1,055,908	(150,000)
Capital Projects Fund			
Restricted: Capital	19,493,427	18,138,070	1,355,357
Assigned: Unappropriated fund balance	12,407,516	8,303,018	4,104,498
	31,900,943	26,441,088	5,459,855
Total Fund Balance	$ 85,105,136	$ 86,177,612	$ (1,072,476)

A. General Fund

The net change in the general fund – fund balance is a decrease of $6,355,700, as expenditures under the modified accrual basis of accounting exceeded revenues. Total expenditures included $16,125,134 of a one-time transfer to the capital projects fund, as authorized by the District's voters on May 15, 2018. During 2017-2018, the District appropriated $10,790,737 from the 2015 and 2017 capital reserves and $5,334,397 from fund balance, as authorized by the voters in Proposition #2 of the May 15, 2018 budget vote, and transferred the 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 partially 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 $579,353 from the retirement contribution reserve to help fund the 2018-2019 budget.

B. School Food Service Fund

The school food service fund - fund balance decreased by $26,631, as compared to the prior year. This decrease is primarily attributable to the decrease in the subsidy for the program from the general fund.

C. Debt Service Fund

The debt service fund – fund balance decreased by $150,000 from the prior year. The District used this amount to offset current year debt service payments.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $5,459,855, due to voter-approved transfers from the general fund, offset by current year capital outlay.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was $122,669,127. This amount was increased by encumbrances carried forward from the prior year in the amount of $406,869 and budget revisions totaling $17,394,113 for a total final budget of $140,470,109.

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, encumbrances and amounts classified as nonspendable. 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	$ 4,906,765
Revenues Over Budget	2,203,411
Expenditures and Encumbrances Under Budget	14,675,485
Change in Nonspendable Fund Balance	(29,375)
Allocation to Reserves	(7,415,739)
Appropriation for voter-authorized additional transfer from fund balance to Capital Projects Fund	(5,334,397)
Appropriated for the 2018-2019 Budget	(4,100,000)
Closing, Unassigned Fund Balance	$ 4,906,150

Opening, Unassigned Fund Balance

The $4,906,765 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4.0% of the District's 2017-2018 approved operating budget of $122,669,127. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2017-2018 final budget for revenues was $116,832,346. Actual revenues received for the year were $119,035,757. The excess of actual revenue over estimated or budgeted revenue was $2,203,411. This positive variance contributes directly to the District's ability to fund the new capital reserve for needed capital projects.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was $140,470,109. Actual expenditures as of June 30, 2018 were $125,391,457 and outstanding encumbrances were $403,167. Combined, the expenditures plus encumbrances for 2017-2018 were $125,794,624. The final budget was under expended by $14,675,485. The under expenditure of the budget contributes directly to the District's ability to fund the capital reserve, as indicated in the May 2017 voter authorized proposition.

Change in Nonspendable Fund Balance

The District prepaid certain BOCES services at June 30, 2018. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as Nonspendable. The increase in Nonspendable fund balance reduces unassigned fund balance.

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 $(7,415,739) shown in the previous table is made up of the following transfers: $298,781 to the retirement contribution reserve; $760,679 to the employee benefit accrued liability reserve; and $6,000,000 to the 2017 capital reserve. Additionally, interest earnings of $356,279 were allocated to the reserves.

Appropriation for Transfer to Capital

On May 15, 2018, the residents of the District voted and authorized the Board of Education to expend $5,334,397 from fund balance for the purpose of completing capital improvements throughout the District.

Appropriated Fund Balance

The District has chosen to use $4,100,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 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, 2018 was $4,906,150. This amount equals 4.0% of the 2018-2019 budget and is at the statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2018, 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 $12,223,071 in excess of depreciation of $1,953,125 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and June 30, 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	$ 357,356	$ 357,356	$ -
Construction in progress	12,863,122	2,877,770	9,985,352
Buildings and improvements	32,950,486	32,881,202	69,284
Furniture and equipment	1,424,385	1,209,075	215,310
Capital assets, net	$ 47,595,349	$ 37,325,403	$ 10,269,946

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, 2018, the District had total bonds payable of $2,140,000. 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, 2018. A summary of the outstanding debt at June 30, 2018 and June 30, 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
3/2007	3.48-5.00%	$ 2,140,000	$ 3,560,000	$ (1,420,000)

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, 2018 are approximately 0.41% of the District's debt limit.

C. OTHER LONG-TERM LIABILITIES

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

	2018	As Restated 2017	Increase (Decrease)
Compensated absences payable	$ 20,028,165	$ 20,316,515	$ (288,350)
Net pension liability - proportionate share	1,471,744	7,663,852	(6,192,108)
Total OPEB obligation	98,852,202	93,573,976	5,278,226
	$ 120,352,111	$ 121,554,343	$ (1,202,232)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is $122,653,735. This is a decrease of $15,392 or 0.01% from the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a $1,174,434 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of $4,100,000 is a $1,224,198 decrease from the previous year. Additionally, the District has elected to appropriate $579,353 from the retirement contribution reserve towards the next year's budget, which is an increase of $34,372 over the previous year. There is no increase in the total property tax levy from 2017-2018.

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 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, 2017 and accrued $80,173 in interest through 2016-2017. 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, leaving a balance in the reserve of $778,913. During 2017-2018, the reserve earned an additional $4,424 in interest.

On May 16, 2017, the residents of the District voted 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 Laws including a sum not to exceed an annual amount of $10,000,000 beginning with the 2016-2017 year. The District has funded $10,000,000 into the capital reserve as of June 30, 2017. The District funded $6,000,000 into the reserve in 2017-2018.

On May 15, 2018, the residents of the District voted and authorized the Board of Education to expend $16,125,134 as follows: $783,337 from the 2015 capital reserve, $10,007,400 from the 2017 capital reserve and $5,334,397 from fund balance, for the purpose of completing capital improvements and upgrades throughout the District.

The funding and utilization of capital reserves continue to 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 2018-2019 is 1.42%. The District's actual 2018-2019 property tax levy was not increased and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-2020 school year. 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. The amount of the credit (check) 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

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

ASSETS	
Cash	
Unrestricted	$ 26,831,640
Restricted	62,772,317
Receivables	
Accounts receivable	42,760
Taxes receivable	2,068,935
Due from state and federal	2,358,687
Due from other governments	2,552,316
Prepaids	29,375
Inventory	47,580
Capital assets:	
Not being depreciated	13,220,478
Being depreciated, net of accumulated depreciation	34,374,871
Net pension asset - proportionate share	2,334,766
Total Assets	146,633,725
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	35,985,998
Other postemployment benefits obligation	28,274
Total Deferred Outflows of Resources	36,014,272
LIABILITIES	
Payables	
Accounts payable	2,237,747
Accrued liabilities	1,144,272
Due to fiduciary funds	773,243
Due to other governments	72,895
Due to teachers' retirement system	5,158,975
Due to employees' retirement system	566,371
Unearned credits	
Collections in advance	122,356
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,405,000
Compensated absences payable	700,000
Due and payable after one year	
Bonds payable	735,000
Compensated absences payable	19,328,165
Net pension liability - proportionate share	1,471,744
Total other postemployment benefits obligation	98,852,202
Total Liabilities	132,567,970
DEFERRED INFLOWS OF RESOURCES	
Pensions	11,214,821
NET POSITION	
Net investment in capital assets	45,455,349
Restricted:	
Unemployment insurance	252,161
Retirement contribution	16,756,709
Employee benefit accrued liability	19,282,491
Capital	25,575,048
Debt service	905,908
	62,772,317
Unrestricted (deficit)	(69,362,460)
Total Net Position	$ 38,865,206

See Notes to Financial Statements

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 13,860,851	$	$	$ (13,860,851)
Instruction	95,100,718	2,169,728	1,078,673	(91,852,317)
Pupil transportation	5,732,715			(5,732,715)
Community service	79,184			(79,184)
Debt service - interest	251,806			(251,806)
Food service program	1,700,776	1,078,789	262,683	(359,304)
Total Functions and Programs	$ 116,726,050	$ 3,248,517	$ 1,341,356	(112,136,177)
GENERAL REVENUES				
Real property taxes				102,830,923
Other tax items				6,390,162
Use of money and property				1,139,746
Forfeitures				9,634
Sale of property and compensation for loss				5,657
Miscellaneous				424,936
State sources				6,175,337
Medicaid reimbursement				36,967
Total General Revenues				117,013,362
Change in Net Position				4,877,185
Total Net Position - Beginning of Year, as Restated				33,988,021
Total Net Position - End of Year				$ 38,865,206

JERICHO UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 12,353,696	$ 522,379	$ 549,040	$	$ 13,406,525	$ 26,831,640
Restricted	42,372,982			905,908	19,493,427	62,772,317
Receivables						
Accounts receivable	39,306		3,454			42,760
Taxes receivable	2,068,935					2,068,935
Due from other funds	2,236,507	1,161,939	201,860		42,733	3,643,039
Due from state and federal	2,018,098	340,589				2,358,687
Due from other governments	2,552,316					2,552,316
Prepaids	29,375					29,375
Inventory			47,580			47,580
Total Assets	$ 63,671,215	$ 2,024,907	$ 801,934	$ 905,908	$ 32,942,685	$ 100,346,649
LIABILITIES						
Accounts payable	$ 1,159,426	$ 32,837	$ 11,363	$	$ 1,034,121	$ 2,237,747
Accrued liabilities	1,086,122	5,889	7,678			1,099,689
Due to other funds	2,248,997	1,963,830	195,834		7,621	4,416,282
Due to other governments	72,452		443			72,895
Due to teachers' retirement system	5,158,975					5,158,975
Due to employees' retirement system	566,371					566,371
Unearned credits						
Collections in advance		22,351	100,005			122,356
Total Liabilities	10,292,343	2,024,907	315,323	-	1,041,742	13,674,315
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,567,198					1,567,198
FUND BALANCES						
Nonspendable:						
Prepaids	29,375					29,375
Inventory			47,580			47,580
	29,375	-	47,580	-	-	76,955
Restricted:						
Unemployment insurance	252,161					252,161
Retirement contribution	16,756,709					16,756,709
Employee benefit accrued liability	19,282,491					19,282,491
Capital	6,081,621				19,493,427	25,575,048
Debt service				905,908		905,908
	42,372,982	-	-	905,908	19,493,427	62,772,317
Assigned:						
Appropriated fund balance	4,100,000					4,100,000
Unappropriated fund balance	403,167		439,031		12,407,516	13,249,714
	4,503,167	-	439,031	-	12,407,516	17,349,714
Unassigned fund balance	4,906,150					4,906,150
Total Fund Balances	51,811,674	-	486,611	905,908	31,900,943	85,105,136
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 63,671,215	$ 2,024,907	$ 801,934	$ 905,908	$ 32,942,685	$ 100,346,649

JERICHO UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances		$ 85,105,136
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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	$ 75,146,268	
Accumulated depreciation	(27,550,919)	
		47,595,349
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.		
Net pension asset - teachers' retirement system	2,334,766	
Deferred outflows of resources	35,985,998	
Net pension liability - employees' retirement system	(1,471,744)	
Deferred inflows of resources	(11,214,821)	
		25,634,199
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.		1,567,198
Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.		
Deferred outflows of resources	28,274	
Total other postemployment benefits obligation	(98,852,202)	
		(98,823,928)
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	(44,583)	
Bonds payable	(2,140,000)	
Compensated absences payable	(20,028,165)	
		(22,212,748)
Total Net Position		$ 38,865,206

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 102,830,923	$	$	$	$	$ 102,830,923
Other tax items	6,390,162					6,390,162
Charges for services	2,079,741					2,079,741
Use of money and property	1,139,746					1,139,746
Forfeitures	9,634					9,634
Sale of property and compensation for loss	5,657					5,657
Miscellaneous	424,936	14,942				439,878
Interfund revenue	387					387
State sources	6,117,604	283,076	14,707			6,415,387
Medicaid reimbursement	36,967					36,967
Federal sources		780,655	247,976			1,028,631
Sales			1,078,789			1,078,789
Total Revenues	119,035,757	1,078,673	1,341,472	-	-	121,455,902
EXPENDITURES						
General support	10,312,195					10,312,195
Instruction	66,386,475	1,340,354				67,726,829
Pupil transportation	5,326,443	49,960				5,376,403
Community service	63,210					63,210
Employee benefits	24,267,188		377,371			24,644,559
Debt service						
Principal				1,420,000		1,420,000
Interest	139,333			139,838		279,171
Food service program			1,115,732			1,115,732
Capital outlay					11,590,279	11,590,279
Total Expenditures	106,494,844	1,390,314	1,493,103	1,559,838	11,590,279	122,528,378
Excess (Deficiency) of Revenues Over Expenditures	12,540,913	(311,641)	(151,631)	(1,559,838)	(11,590,279)	(1,072,476)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		311,641	125,000	1,409,838	17,050,134	18,896,613
Operating transfers (out)	(18,896,613)					(18,896,613)
Total Other Financing Sources and Uses	(18,896,613)	311,641	125,000	1,409,838	17,050,134	-
Net Change in Fund Balances	(6,355,700)	-	(26,631)	(150,000)	5,459,855	(1,072,476)
Fund Balances - Beginning of Year	58,167,374		513,242	1,055,908	26,441,088	86,177,612
End of Year	$ 51,811,674	$ -	$ 486,611	$ 905,908	$ 31,900,943	$ 85,105,136

See Notes to Financial Statements

JERICHO 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, 2018

Net Change in Fund Balances		$ (1,072,476)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating 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	$ 147,720	
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.		
Decrease in compensated absences payable	288,350	
		436,070
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 expense in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.		
Capital outlays	12,223,071	
Depreciation expense	(1,953,125)	
		10,269,946
Long-Term Debt Transactions Differences		
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	1,420,000	
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, 2017 to June 30, 2018.	27,365	
		1,447,365
Pension and Other Postemployment Benefits Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.		
Teachers' retirement system	(1,069,534)	
Employees' retirement system	115,766	
Other postemployment benefits	(5,249,952)	
		(6,203,720)
Change in Net Position of Governmental Activities		$ 4,877,185

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 988,962	$
Restricted		55,983
Due from other funds	773,243	3,450
Total Assets	$ 1,762,205	59,433
LIABILITIES		
Extraclassroom activity balances	$ 172,165	
Due to other funds	3,450	
Other liabilities	1,586,590	
Total Liabilities	$ 1,762,205	-
NET POSITION		
Restricted for scholarships		$ 59,433

See Notes to Financial Statements

JERICHO UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For The Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	$ 25,201
Investment earnings	
Interest	159
Total Additions	25,360
DEDUCTIONS	
Scholarships and awards	34,700
Change in Net Position	(9,340)
Net Position - Beginning of Year	68,773
Net Position - End of Year	$ 59,433

See Notes to Financial Statements

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

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.

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.

E. Real Property Taxes

Calendar

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

Enforcement

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

Payments in Lieu of Taxes

The District reports 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 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 and Prepaid Items

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.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

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:

	Capitalization Threshold	Estimated Useful Life
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 three items that qualify for reporting in this category. The first item is related to pensions and consists of the District's 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) subsequent to the measurement date. The third item is related to OPEB reported in the district-wide statement of net position. This represents the affect of the net changes of assumptions or other inputs.

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.

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 30th.

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 economic

resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

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 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, and prepayment of professional services, which is recorded in the general 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 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.

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, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses and deferred outflows of resources and deferred inflows of resources on the full accrual basis.

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.

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.

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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

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 and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and 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.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

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:

Instructional supplies funded by donations	$ 32,398
Voter authorized transfer to the capital projects fund funded by capital reserves	10,790,737
Voter authorized transfer to the capital projects fund funded by appropriated fund balance	5,334,397
Employee benefit accrued liability reserve appropriation	1,236,581
	$ 17,394,113

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, 2018, the District was billed $3,583,774 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,047,610. 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.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - excess cost aid	$ 859,752
New York State - homeless aid	575,791
BOCES aid	582,555
	2,018,098
Special Aid Fund	
Federal and state grants	340,589
	$ 2,358,687

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consisted of:

General Fund	
Tuition receivable	$ 564,560
Health services	499,615
Split line property taxes	132,082
Payment in lieu of taxes	1,236,098
Nassau County drug and alcohol grant	119,961
	$ 2,552,316

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	$ 357,356	$	$	$ 357,356
Construction in progress	2,877,770	11,590,278	(1,604,926)	12,863,122
Total capital assets not being depreciated	3,235,126	11,590,278	(1,604,926)	13,220,478
Capital assets being depreciated				
Buildings and improvements	56,676,774	1,739,044		58,415,818
Furniture and equipment	3,011,297	498,675		3,509,972
Total capital assets being depreciated	59,688,071	2,237,719	-	61,925,790
Less accumulated depreciation for:				
Buildings and improvements	23,795,572	1,669,760		25,465,332
Furniture and equipment	1,802,222	283,365		2,085,587
Total accumulated depreciation	25,597,794	1,953,125		27,550,919
Total capital assets, being depreciated, net	34,090,277	284,594	-	34,374,871
Capital assets, net	$ 37,325,403	$ 11,874,872	$ (1,604,926)	$ 47,595,349

Depreciation expense was charged to governmental functions as follows:

General support	$ 220,090
Instruction	1,627,253
Pupil transportation	86,411
Food service program	19,371
Total depreciation expense	$ 1,953,125

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 2,236,507	$ 2,248,997	$	$ 18,896,613
Special Aid Fund	1,161,939	1,963,830	311,641	
School Food Service Fund	201,860	195,834	125,000	
Debt Service Fund			1,409,838	
Capital Projects Fund	42,733	7,621	17,050,134	
Total Governmental Funds	3,643,039	4,416,282	$ 18,896,613	$ 18,896,613
Fiduciary Funds	776,693	3,450		
Total	$ 4,419,732	$ 4,419,732		

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 transfer to the debt service fund was to pay debt-related payments for outstanding debt of the District 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. Interfund balances are expected to be repaid within one year.

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2017	Issued	Redeemed	Balance June 30, 2018
TAN	6/23/2017	0.9-1.75%	$	$ 9,500,000	$ (9,500,000)	$

Interest on short-term debt for the year was $139,333. The District did receive an issuance premium in the amount of $70,397, which was recorded as miscellaneous revenue.

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, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 3,560,000	$	$ (1,420,000)	$ 2,140,000	$ 1,405,000
Other long-term liabilities					
Compensated absences	20,316,515	948,231	(1,236,581)	20,028,165	700,000
	$23,876,515	$ 948,231	$ (2,656,581)	$22,168,165	$ 2,105,000

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, 2018
Refunding serial bond	3/8/2007	8/1/2019	3.48-5.00%	$ 2,140,000

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,405,000	$ 71,875	$ 1,476,875
2020	735,000	18,375	753,375
Total	$ 2,140,000	$ 90,250	$ 2,230,250

C. Interest Expense

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

Interest paid	$ 139,838
Less interest accrued in the prior year	(71,948)
Plus interest accrued in the current year	44,583
Total interest expense on long-term debt	$ 112,473

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 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 on the NYS Comptroller's website at 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 for the TRS' fiscal year ended June 30th, 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 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. 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 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 15.44% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018, was $4,897,009 for TRS at the contribution rate of 9.8%, and $2,095,993 for ERS at an average contribution rate of 15.34%.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(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 the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	$ 2,334,766	$ (1,471,744)
District's portion of the Plan's total net pension asset/(liability)	0.3071660%	0.0456009%
Change in proportion since the prior measurement date	(0.0034170)	(0.0005600)

For the year ended June 30, 2018, the District recognized pension expense of $5,972,148 for TRS and $1,980,227 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ 1,920,939	$ 524,923	$ 910,298	$ 433,777
Changes of assumptions	23,756,696	975,888		
Net difference between projected and actual earnings on pension plan investments		2,137,590	5,499,049	4,219,391
Changes in proportion and differences between the District's contributions and proportionate share of contributions	597,859	608,730	121,239	31,067
District's contributions subsequent to the measurement date	4,897,002	566,371		
Total	$ 31,172,496	$ 4,813,502	$ 6,530,586	$ 4,684,235

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2019	$ 642,560	$ 516,020
2020	6,387,563	429,926
2021	4,600,125	(944,460)
2022	1,218,860	(438,590)
2023	4,587,039	
Thereafter	2,308,761	
	$ 19,744,908	$ (437,104)

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:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustment	1.50%	1.30%

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.

For TRS, 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.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternatives investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). 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 asset/(liability) calculated using the discount rate of 7.25% 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 (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	$ (40,221,099)	$ 2,334,766	$ 37,973,191

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (11,135,610)	$ (1,471,744)	$ 6,703,501

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:

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	$ (114,708,261)	$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension assset/(liability)	$ 760,099	$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, 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. Accrued retirement contributions as of June 30, 2018 amounted to $4,987,009 of employer contributions and $261,966 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $566,371 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, 2018, totaled $645,873 and $3,301,477, 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, 2018 totaled $1,040,781.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides medical and Medicare part B reimbursement, and dental and vision coverage for retirees and their survivors. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	246
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	544
	790

B. Total OPEB Liability

The District's total OPEB liability of $98,852,202 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%	
Salary increases	2.60%	average, including inflation
Discount rate	3.00%	
Healthcare cost trend rates	7.50%	for 2016, decreasing 0.5% per year to an ultimate rate of 4.5% in 2022
Retirees' share of benefit-related costs	50-65%	of projected health insurance premiums for retirees and surviving spouses

The discount rate was based on S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 total Dataset Morality Table projected to the valuation date with Scale MP-2016.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility, for full and early retirement where applicable and input from the Plan sponsor. The Plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 93,573,976
Changes for the year	
Service cost	4,539,915
Interest	2,910,598
Changes of benefit terms	-
Differences between expected and actual experience	31,899
Changes in assumptions or other inputs	-
Benefit payments	(2,204,186)
	5,278,226
Balance at June 30, 2018	$ 98,852,202

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00 %) or 1% point higher (4.00%) than the current discount rate:

OPEB	1% Decrease (2.00)%	Discount Rate (3.00)%	1% Increase (4.00)%
Total OPEB liability	$ (117,578,847)	$(98,852,202)	$(84,071,486)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (6.50)%	Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Total OPEB liability	$(83,054,953)	$(98,852,202)	$(121,368,303)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $5,274,601. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,274	$
Changes of assumptions		
Total	$ 28,274	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ 3,625
2020	3,625
2021	3,625
2022	3,625
2023	3,625
Thereafter	10,149
	$ 28,274

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.

The District participates in the Nassau County Schools Cooperative Workers' Compensation Self Insured Plan (the 'Workers' Compensation Plan'), a risk-sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to administer claims, finance liability and manage risks related to workers' compensation claims. The District pays an annual assessment determined by the Plan's Board of Trustees. In the event that the Plan has insufficient funds to meet its obligations, the Plan's Board of Trustees may issue supplemental assessments to the Plan's members. Plan members who withdraw or are terminated from the Plan's membership will assume responsibilities for all open and unpaid claims associated with them. The Workers' Compensation Plan's total discounted liability for unbilled and open claims at June 30, 2018 was $16,426,578 at 3%. The Workers' Compensation Plan has assets of $20,024,804 at June 30, 2018 to pay these liabilities.

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate $579,353 from the retirement contribution reserve, which is reported in the June 30, 2018 restricted fund balances, to fund the budget for the year ending June 30, 2019.

18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $4,100,000 has been appropriated to partially fund the budget for the year ending June 30, 2019.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation at June 30, 2017. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 81,601,212
GASB Statements No. 75 implementation	
Beginning total other postemployment benefits obligation	(93,573,976)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	45,960,785
	(47,613,191)
Net position beginning of year, as restated	$ 33,988,021

20. 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 2017-2018 property taxes were abated by $904,092. The District received payment in lieu of taxes (PILOT) payments totaling $582,590.

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 355,761
Instruction	47,406
	403,167
Capital Projects Fund	
Capital Projects	6,444,311
	$ 6,847,478

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 $185,448. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 138,726

22. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, 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 27, 2018, the District issued $9,800,000 of tax anticipation notes. The TANs mature on June 21, 2019, with the stated interest rate of 3.0%. The District received a premium of $72,227, to yield an effective interest rate of 1.995%.

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 102,830,923	$ 102,830,923	$ 102,830,923	$ -
Other tax items	6,251,025	6,251,025	6,390,162	139,137
Charges for services	1,785,000	1,785,000	2,079,741	294,741
Use of money and property	700,000	700,000	1,139,746	439,746
Forfeiture	10,000	10,000	9,634	(366)
Sale of property and compensation for loss			5,657	5,657
Miscellaneous	173,000	205,398	424,936	219,538
Interfund revenues	20,000	20,000	387	(19,613)
Total Local Sources	111,769,948	111,802,346	112,881,186	1,078,840
State Sources	5,000,000	5,000,000	6,117,604	1,117,604
Medicaid Reimbursement	30,000	30,000	36,967	6,967
Total Revenues	116,799,948	116,832,346	119,035,757	$ 2,203,411
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	5,324,198	10,658,595 *		
Prior Year's Encumbrances	406,869	406,869		
Appropriated Reserves				
Retirement contribution	544,981	544,981		
Employee benefit accrued liability	-	1,236,581 **		
Capital	-	10,790,737 *		
Total Appropriated Fund Balance	6,276,048	23,637,763		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 123,075,996	$ 140,470,109		

* On May 18, 2018, the District's voters authorized an additional $5,334,397 to be appropriated from fund balance and $10,790,737 to be expended from the capital reserve for the purpose of completing projects throughout the District.

** Board authorized appropriation for compensated absences payments.

Note to Required Supplementary Information

Budget Basis of Accounting

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

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 103,200	$ 103,200	$ 74,069	$	$ 29,131
Central administration	499,173	499,173	490,681		8,492
Finance	1,220,636	1,220,636	1,035,598		185,038
Staff	891,949	891,949	778,131		113,818
Central services	8,155,694	8,155,694	7,131,768	355,761	668,165
Special items	915,000	915,000	801,948		113,052
Total General Support	11,785,652	11,785,652	10,312,195	355,761	1,117,696
Instruction					
Administration & improvement	4,975,511	5,260,282	4,898,086	2,665	359,531
Teaching - regular school	39,070,638	39,916,835	35,125,865	25,144	4,765,826
Programs for students with disabilities	21,108,353	21,125,876	17,228,238		3,897,638
Occupational education	125,000	128,557	128,557		-
Instructional media	3,702,218	3,740,219	3,423,987	277	315,955
Pupil services	5,979,786	6,034,716	5,581,742	19,320	433,654
Total Instruction	74,961,506	76,206,485	66,386,475	47,406	9,772,604
Pupil Transportation	6,102,069	6,126,069	5,326,443		799,626
Community Services	78,000	78,000	63,210		14,790
Employee Benefits	26,968,932	26,968,932	24,267,188		2,701,744
Debt Service: Interest	200,000	199,999	139,333		60,666
Total Expenditures	120,096,159	121,365,137	106,494,844	403,167	14,467,126
OTHER FINANCING USES					
Operating Transfers Out	2,979,837	19,104,972	18,896,613		208,359
Total Expenditures and Other Uses	$ 123,075,996	$ 140,470,109	125,391,457	$ 403,167	$ 14,675,485
Net Change in Fund Balance			(6,355,700)		
Fund Balances - Beginning of Year			58,167,374		
Fund Balances - End of Year			$ 51,811,674		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.3071660%	0.3105830%	0.3183840%	0.3132890%
District's proportionate share of the net pension asset/(liability)	$ 2,334,766	$ (3,326,473)	$ 33,069,962	$ 34,898,485
District's covered payroll	$ 48,675,674	$ 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	4.80 %	(7.00)%	69.10 %	75.50 %
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0456009%	0.0461609%	0.0440387%	0.0446373%
District's proportionate share of the net pension liability	$ (1,471,744)	$ (4,337,379)	$ (7,068,327)	$ (1,507,956)
District's covered payroll	$ 13,694,990	$ 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	(10.75)%	(29.95)%	(50.33)%	(11.22)%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System
The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 above.

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

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

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 4,897,009	$ 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
Contributions in relation to the contractually required contribution	4,897,009	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$49,969,482	$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
Contributions as a percentage of covered payroll	10%	12%	13%	18%	16%	12%	11%	9%	6%	8%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 2,095,993	$ 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
Contributions in relation to the contractually required contribution	2,095,993	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$13,665,066	$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
Contributions as a percentage of covered payroll	15%	14%	15%	17%	22%	20%	14%	13%	8%	7%

See Paragraph on Required Supplementary Information Included in Auditor's Report

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	2018
Total OPEB liability	
Service cost	$ 4,539,915
Interest	2,910,598
Changes in benefit terms	-
Differences between expected and actual experience	31,899
Changes of assumptions or other inputs	-
Benefit payments	(2,204,186)
Net change in total OPEB liability	5,278,226
Total OPEB liability, beginning	93,573,976
Total OPEB liability, ending	$ 98,852,202
Covered employee payroll	$ 57,197,915
Total OPEB liability as a percentage of covered employee payroll	172.82%

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, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 122,669,127
Additions:	
Prior year's encumbrances	406,869
Original Budget	123,075,996
Budget revision	
Instructional supplies funded by donations	32,398
Voter authorized transfer to the capital projects fund funded by capital reserves	10,790,737
Voter authorized transfer to the capital projects fund funded by appropriated fund balance	5,334,397
Employee benefit accrued liability reserve appropriation	1,236,581
Total budget revisions	17,394,113
Final Budget	$ 140,470,109

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget		$ 122,653,735
Maximum allowed (4% of 2018-2019 budget)		$ 4,906,150
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 4,503,167	
Unassigned fund balance	4,906,150	
		$ 9,409,317
Less:		
Appropriated fund balance	4,100,000	
Encumbrances	403,167	
Total adjustments		4,503,167
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 4,906,150
Actual Percentage		4.00%

See Paragraph on Other Supplementary Information Included in Auditor's Report

JERICHO UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations/ State Aid	Methods of Financing: Local Sources	Methods of Financing: Capital Reserve	Methods of Financing: Total	Fund Balance June 30, 2018
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	1,000,000	1,000,000	628,227	365,684	993,911	6,089		1,000,000		1,000,000	6,089
Middle School/High School freight elevator/walk-in boxes/generator	1,156,516	1,156,516	1,110,305		1,110,305	46,211		1,156,516		1,156,516	46,211
Middle School/High School auditorium	3,618,069	3,618,069	3,541,660	69,871	3,611,531	6,538		3,618,069		3,618,069	6,538
2014-15 District-wide upgrades and replacements	900,000	900,000	401,389	224,501	625,890	274,110		900,000		900,000	274,110
2015-16 District-wide upgrades and replacements	900,000	900,000	484,071	74,834	558,905	341,095		900,000		900,000	341,095
Emergency projects	1,535,000	1,535,000	1,285,685	117,479	1,403,164	131,836		1,535,000		1,535,000	131,836
2015-16 Proposition No. 2	16,306,125	16,306,125	1,325,972	9,874,257	11,200,229	5,105,896		6,219,637	10,086,488	16,306,125	5,105,896
2016-17 Proposition No. 2	9,301,260	9,301,260	114	598,456	598,570	8,702,690			9,301,260	9,301,260	8,702,690
District-wide upgrades and replacements	900,000	900,000	430,480	40,876	471,356	428,644		900,000		900,000	428,644
2017-18 District-wide upgrades and replacements		925,000		224,321	224,321	700,679		925,000		925,000	700,679
2017-18 Proposition No. 2		16,125,134			-	16,125,134		5,334,397	10,790,737	16,125,134	16,125,134
Totals	$ 36,291,970	$ 53,342,104	$ 9,850,882	$ 11,590,279	$ 21,441,161	$ 31,900,943	$ -	$ 23,163,619	$ 30,178,485	$ 53,342,104	$ 31,900,943

See Paragraph on Other Supplementary Information Included in Auditor's Report

JERICHO UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	$ 47,595,349
Short-term portion of bonds payable	1,405,000
Long-term portion of bonds payable	735,000
	2,140,000
Net Investment in Capital Assets	$ 45,455,349

See Paragraph on Other Supplementary Information Included in Auditor's Report

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2018.

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 October 10, 2018.

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

October 10, 2018