

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2004**

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS

PAGE

SECTION A **FINANCIAL SECTION**

Independent Auditors' Report

Management Discussion and Analysis

Basic Financial Statements:

Statement of Net Assets	A1-A2
Statement of Activities	A3
Balance Sheet – Governmental Funds	A4-A5
Statement of Revenue, Expenditures and Changes in Fund Equity - Governmental Funds	A6-A7
Statement of Net Assets – Fiduciary Funds	A8
Statement of Changes in Net Assets – Fiduciary Funds	A9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	A10-A11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	A12-A13
Notes to Basic Financial Statements	A14-A29
Schedule of Revenue and Expenditures - Budget and Actual - General Fund	A30-A31

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS
(Continued)

		<u>PAGE</u>
 <u>SECTION B</u> <u>SUPPLEMENTAL SCHEDULES</u>		
SS1	Combining Balance Sheet – Other Governmental Funds	B1
SS2	Combining Statement of Revenue, Expenditures and Changes in Fund Equity – Other Governmental Funds	B2-B3
SS3	Analysis of Change from Original Budget to Revised Budget - General Fund	B4
SS4	Analysis of Use of Beginning Fund Balance - General Fund	B4
SS5	Schedule of Project Expenditures - Capital Projects Fund	B5
SS6	Schedule of Certain Revenue and Expenditures Compared to ST-3 Data	B6

SECTION C
FEDERAL FINANCIAL ASSISTANCE

Independent Auditors' Report on Supplementary Information - Schedule of Expenditures of Federal Awards	C1
Schedule of Expenditures of Federal Awards	C2
Notes to Schedule of Expenditures of Federal Awards	C3

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS
(Continued)

PAGE

SECTION D
INTERNAL CONTROL AND COMPLIANCE

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	D1-D2
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	D3-D4
Schedule of Findings and Questioned Costs	D5-D6
Schedule of Prior Year Audit Findings	D7

SECTION E
EXTRAClassroom Activity

Independent Auditors' Report on the Statement of Cash Receipts, Disbursements and Fund Balance - Cash Basis - of the Extraclassroom Activity Funds	E1-E2
Statement of Cash Receipts, Disbursements and Fund Balance - Cash Basis - Extraclassroom Activity Funds	E3-E5
Note to Financial Statement	E6
Summary of Audit Findings	E7-E9

SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditors' Report

The President and Members of the
Board of Education of the
Batavia City School District
Batavia, New York

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Batavia, New York
August 6, 2004

Fred Maxick & Battaglia PC



Management Discussion and Analysis

Batavia City School District

Fiscal Year ended June 30, 2004

This section of Batavia City School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2004 are as follows:

- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 2% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$640,949, and this amount was within the statutory limit.
- General revenues which include Federal and State Aid and Real Property Taxes accounted for \$30,312,560 or 75.9% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Operating Contributions accounted for \$9,602,064 or 24.1% of total revenues.
- The District continued to fund its retiree health insurance liability for current employees and has set aside \$1,559,617 in a reserve.
- The District had expenditures of \$7,695,919 in two capital projects during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Batavia City School District's Annual Financial Report

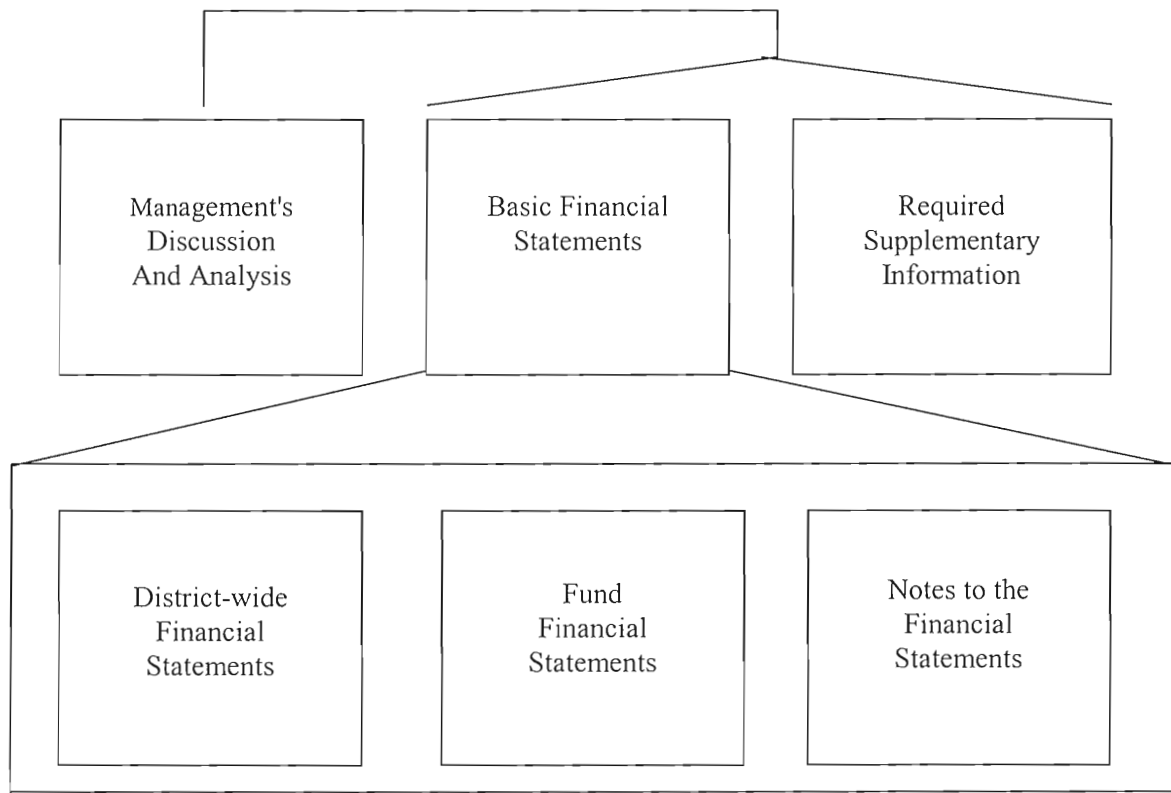


Figure A-2***Major Features of the District-wide and Fund Financial Statements***

		Fund Financial Statements	
	District-wide Statements	Government Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

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

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

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

In the District-wide financial statements, the District's activities are shown as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

By far, the largest component of the District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay

this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, restricted net assets of \$4,437,514 constitute 8.3% of total assets.

Figure A-3

Condensed Statement of Net Assets

(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2004	2003	2003-2004
Current and other assets	\$ 16,940	\$ 23,425	-27.68%
Capital assets, net	36,444	29,091	25.28%
Total assets	<u>\$ 53,384</u>	<u>\$ 52,516</u>	<u>1.65%</u>
Long-term liabilities	\$ 44,252	\$ 29,020	52.49%
Other liabilities	3,328	22,315	-85.09%
Total liabilities	<u>47,580</u>	<u>51,335</u>	<u>-7.31%</u>
Invested in capital assets net of related debt	4,324	4,765	-9.25%
Restricted	4,438	3,689	20.30%
Undesignated	(2,958)	(7,273)	-59.33%
Total net assets	<u>\$ 5,804</u>	<u>\$ 1,181</u>	<u>391.45%</u>
Total liabilities and and net assets	<u>\$ 53,384</u>	<u>\$ 52,516</u>	

Figure A-4

Changes in Net Assets from Operating Results
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2004	2003	2003-2004
Revenue			
Property and non-property taxes	\$ 17,221	\$ 16,242	6.03%
Charges for services	193	127	51.97%
Use of money and property	324	397	-18.39%
Miscellaneous	574	623	-7.87%
State and federal aid	21,183	19,707	7.49%
Sales	420	456	-7.89%
Total revenue	39,915	37,552	6.29%
Expenses			
General support	4,129	4,654	-11.28%
Instruction	27,164	29,007	-6.35%
Transportation	765	637	20.09%
Debt service	852	1,110	-23.24%
Community service	-	17	-100.00%
Culture & recreation	1,009	945	0.00%
Depreciation	470	457	2.84%
Capital outlay	-	(1,527)	
Cost of sales	903	907	-0.44%
Total expenses	35,292	36,207	-2.53%
Net increase (decrease) in net assets	\$ 4,623	\$ 1,345	243.72%

Figure A-5

Sources of Revenues for Fiscal Year 2004

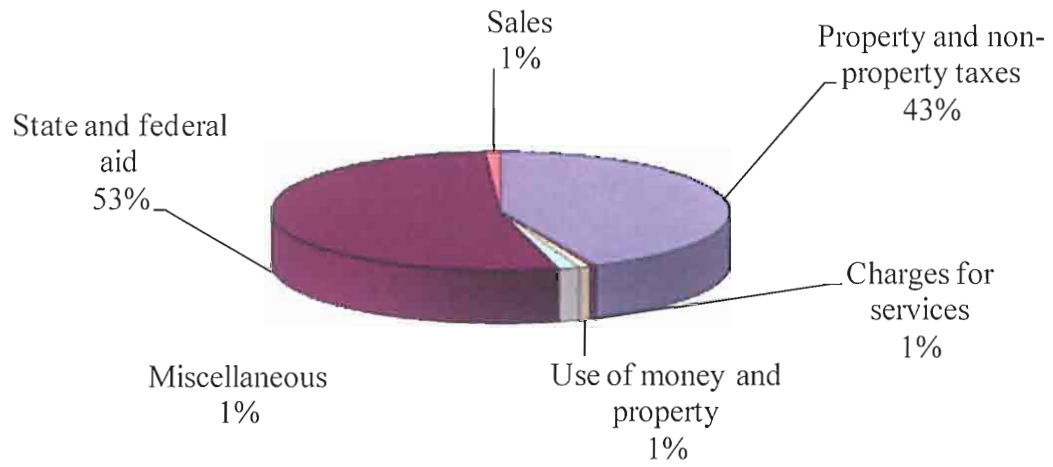
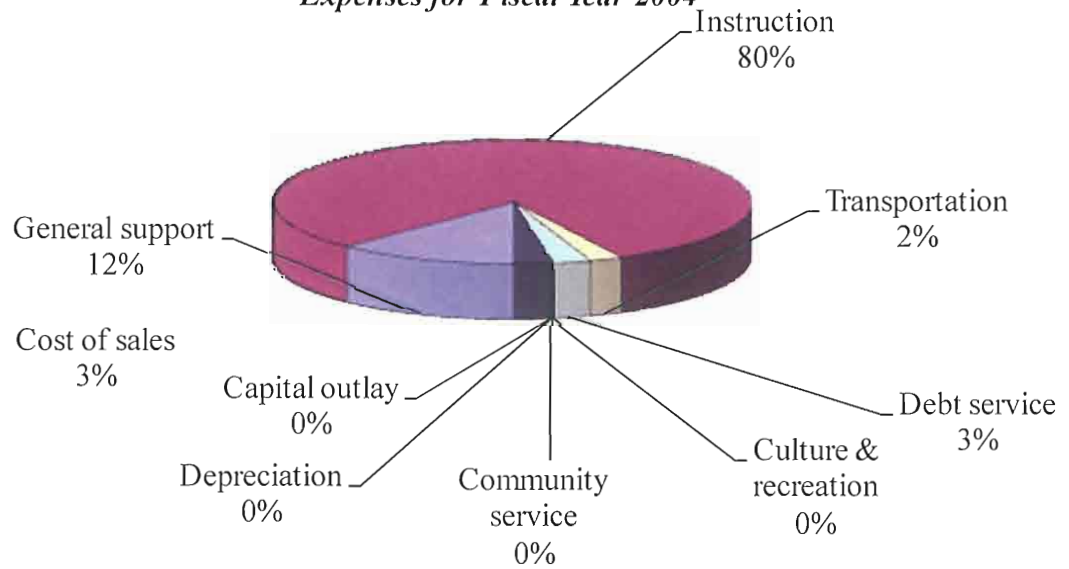


Figure A-6

Expenses for Fiscal Year 2004



Governmental Activities

This section presents the cost of eight major District activities: general support, instruction, transportation, debt service, community service, culture and recreation, depreciation and cost of sales. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

Sources of Revenues for Fiscal Year 2003

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2004	2003	2003-2004	2004	2003	2003-2004
General support	\$ 4,129	\$ 4,654	-11.28%	\$ 3,685	\$ 4,358	-15.44%
Instruction	27,164	29,007	-6.35%	21,808	20,839	4.65%
Transportation	765	637	20.09%	240	172	39.53%
Debt service	852	1,110	-23.24%	(1,487)	276	-638.77%
Community Service	-	17	-100.00%	-	17	-100.00%
Culture & recreation	1,009	945	0.00%	1,004	815	0.00%
Depreciation	470	457	2.84%	470	457	2.84%
Cost of sales	903	907	-0.44%	67	(43)	-255.81%
Total	\$ 35,292	\$ 37,734	-6.47%	\$ 25,787	\$ 26,891	-4.11%

The District relies on both real property taxes and state aid to finance the majority of its operations. The state aid that the District receives cannot be completely allocated to the individual categories. Comparisons from year to year fluctuate with the formulas the state uses to distribute aid.

Financial Analysis of The District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds:

The focus of the District's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and amounts to be applied against next years fund balance.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$13,611,628. Of this amount, \$4,914,933 constitutes unreserved fund balance, of which \$1,010,000 has been designated for subsequent years' expenditures and represents the amount estimated for use in the 2004-05 budget. The remainder of the fund balance, \$8,696,695, is reserved to indicate that it is not available for new spending because it has already been committed. These reserves have been established in accordance with New York State educational law and their use is restricted for the intended purpose. The District's reserves include: a reserve for encumbrances of \$998,973, a reserve for certiorari proceedings of \$248,980, a reserve for unemployment insurance of \$714,548, a reserve for employee benefit accrued liability of \$1,559,617, a reserve for flex spending of \$4,959, a capital projects reserve of \$732,104 and a reserve for debt service of \$4,437,514.

The General Fund is the chief operating fund of the District . At the end of the current fiscal year, the total fund balance of the General Fund was \$5,177,037, of which \$640,949 or 1.87% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 2% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund increased by \$1,669,625.

Figure A-8

***Revenues, Expenditures and Changes in Fund
Equity - Governmental Funds
(in thousands of dollars)***

	2004		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 33,856	\$ 32,186	\$ 5,777
Special Aid Fund	2,634	2,634	-
School Lunch Fund	946	907	264
School Library	1,010	1,019	285
Capital Fund	18,142	7,696	2,848
Debt Service Fund	2,891	2,142	4,438
	2003		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 32,497	\$ 31,947	\$ 4,107
Special Aid Fund	2,400	2,400	-
School Lunch Fund	959	907	225
Public Library	1,008	945	294
Capital Fund	19,995	2,329	(7,598)
Debt Service Fund	10,733	10,441	3,689

General Fund Budgetary Highlights

The difference between the original budget and the amended budget was \$518,859. This change is attributable to additional encumbrances carried over from the 2002-03 fiscal year for use in the 2003-04 fiscal year.

The District expended the majority of its amended budget. By doing this, the District was able to maintain its tax certiorari reserve, and continued funding its reserve for employee benefit accrued liability for its current employees.

Conservative estimates in state aid based on the uncertainty at state level allowed the District to receive an additional \$90,219 in revenue.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004 the District had capital assets of \$36,444,061, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Figure A-9

<i>Capital Assets Net of Depreciation</i> <i>(in thousands of dollars)</i>			
	Governmental Activities and Total District		Percentage Change
	2004	2003	2003-2004
Land	\$ 2,427	\$ 2,427	0.00%
Buildings	32,828	25,432	29.08%
Equipment	1,118	1,168	-4.28%
Vehicles	71	64	
Total	\$ 36,444	\$ 29,091	25.28%

The primary increase in capital assets during the fiscal year results from the District's major capital projects to John Kennedy Elementary School and to Batavia High School. Currently, these two projects total approximately \$28.7 million for general renovation.

Presently the Batavia City School District maintains an A3 credit rating from Moody's Credit Corporation which is among the highest in Genesee County.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At June 30, 2004, the District had in general obligations and other long-term debt outstanding, as follows:

Figure A-10

Outstanding Long-Term Debt <i>(in thousands of dollars)</i>			
	Governmental Activities and Total District		Percentage Change
	2004	2003	2003-2004
General obligation bonds & notes (financed with property taxes)	\$ 35,765	\$ 19,105	87.20%
Other general obligation debt	8,487	10,190	-16.71%
Total	\$ 44,252	\$ 29,295	51.06%

During the year, the District issued one serial bond. The bond was for the Batavia High School Capital Project.

More detailed information about the District's long term debt is presented in the notes to the financial statements.

Factors Bearing on the District's Future

The state comptroller has advised all participating employers that billings from the New York State Retirement System, beginning with the December 2003 bill (billing period April 02 through March 03), would be 4.5% of eligible payroll. The New York State Retirement Sysytem has also informed the participating employer that the rate in effect for the February 2005 bill (billing period April 03 through March 04) will be 11% of eligible payroll.

The New York State Teachers' Retirement Sysytem has also indicated the rate to be used to calculate the TRS expenditures for 2004-05 fiscal year will be 5.63% for eligible salaries. This rate is 3.11% higher than the 2003-04 rate of 2.52% of eligible salaries, therefore significantly increaseing the School Districts cost in the next fiscal year.

The Batavia City School Disctrict has projected the enrollment rate of its students in future years, to be stable without any significant increase or decrease.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Batavia City School District, Batavia, New York.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

Cash	\$ 11,026,164
Restricted cash	3,260,208
State and federal aid receivable	977,535
Taxes and accounts receivable	380,090
Other receivables	82,622
Due from other governments	684,650
Due from fiduciary funds	495,311
Inventory	33,759
Capital assets, net	<u>36,444,061</u>
 Total assets	 \$ <u>53,384,400</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 758,046
Accrued liabilities	699,221
Due to other governments	92,222
Deferred revenue	656,010
Retirement system liability	1,123,212
Long-term liabilities:	
Due and payable within one year:	
Serial bonds payable	2,660,000
Compensated absences	460,000
Due and payable after one year:	
Serial bonds payable	33,105,000
Compensated absences	<u>8,026,540</u>
 Total liabilities	 <u>47,580,251</u>

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004
(Continued)

NET ASSETS:

Invested in capital assets, net of related debt	4,324,027
Restricted for:	
Debt service	4,437,514
Unrestricted	<u>(2,957,392)</u>
 Total net assets	 <u>5,804,149</u>
 Total liabilities and net assets	 \$ <u>53,384,400</u>

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
General support	\$ 3,702,366	\$ 426,396	\$ 89,062	\$ 354,821	\$ (3,684,879)
Instruction	23,254,908	3,909,096	103,366	5,252,727	(21,807,911)
Pupil transportation	758,324	6,469	-	524,812	(239,981)
Debt service	852,420	-	-	2,339,523	1,487,103
Culture and recreation	835,924	172,713	-	4,137	(1,004,500)
School lunch	806,209	97,267	420,224	513,392	30,140
Unallocated employee benefits	4,611,941	(4,611,941)	-	-	-
Unallocated depreciation	470,000	-	-	-	(470,000)
Total governmental activities	\$ 35,292,092	\$ -	\$ 612,652	\$ 8,989,412	(25,690,028)
General revenues:					
Property taxes					16,359,088
Non-property taxes					861,894
Interest earnings					326,033
State and federal aid not restricted for a specific purpose					12,204,213
Other miscellaneous revenues					561,332
Total general revenues and transfers					30,312,560
Change in net assets					4,622,532
Net assets (deficit) - beginning of year					(345,642)
Prior period adjustment					1,527,259
Net assets - end of year					\$ 5,804,149

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

ASSETS:

	General	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash	\$ 2,174,961	\$ 2,701,332	\$ -	\$ 1,712,357	\$ 6,588,650
Restricted cash	5,805,620	-	1,892,102	-	7,697,722
Taxes receivable	380,090	-	-	-	380,090
State and federal aid receivable	686,481	-	-	291,054	977,535
Other receivables	65,558	-	-	17,064	82,622
Due from other governments	684,650	-	-	-	684,650
Due from other funds	1,495,564	426,996	3,008,529	387,415	5,318,504
Inventory	-	-	-	33,759	33,759
Total assets	\$ 11,292,924	\$ 3,128,328	\$ 4,900,631	\$ 2,441,649	\$ 21,763,532

LIABILITIES AND FUND EQUITY:

Accounts payable	\$ 31,770	\$ 557,765	\$ -	\$ 168,511	\$ 758,046
Accrued liabilities	674,849	-	222	24,150	699,221
Due to other funds	2,972,182	277,486	462,895	1,110,630	4,823,193
Due to other governments	91,388	-	-	834	92,222
Due to retirement systems	1,123,212	-	-	-	1,123,212
Deferred revenue	622,486	-	-	33,524	656,010
Bond anticipation notes	-	-	-	-	-
Compensated absences	-	-	-	-	-
Total liabilities	\$ 5,515,887	\$ 835,251	\$ 463,117	\$ 1,337,649	\$ 8,151,904

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004
(Continued)

	General	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:					
Reserved:					
Reserved for encumbrances	920,880	-	-	78,093	998,973
Reserved for certiorari proceedings	248,980	-	-	-	248,980
Reserved for unemployment insurance	714,548	-	-	-	714,548
Reserved for employee benefit accrued liability	1,559,617	-	-	-	1,559,617
Reserved for flex spending	4,959	-	-	-	4,959
Capital reserves	732,104	-	-	-	732,104
Reserved for debt service	-	-	4,437,514	-	4,437,514
Unreserved:					
General fund	640,949	-	-	-	640,949
Special revenue fund	-	-	-	416,144	416,144
Capital fund	-	2,293,077	-	554,763	2,847,840
Designated for subsequent year's expenditures	955,000	-	-	55,000	1,010,000
Total fund equity	<u>5,777,037</u>	<u>2,293,077</u>	<u>4,437,514</u>	<u>1,104,000</u>	<u>13,611,628</u>
Total liabilities and fund equity	<u>\$ 11,292,924</u>	<u>\$ 3,128,328</u>	<u>\$ 4,900,631</u>	<u>\$ 2,441,649</u>	<u>\$ 21,763,532</u>

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUE:					
Real property taxes	\$ 15,439,910	\$ -	-	\$ 919,178	\$ 16,359,088
Nonproperty taxes	861,894	-	-	-	861,894
Charges for services	153,712	-	-	38,716	192,428
Use of money and property	221,375	-	101,063	1,645	324,083
Sale of property and compensation for loss	1,950	-	-	-	1,950
Miscellaneous local sources	377,711	-	134,947	48,674	561,332
State sources	15,183,213	-	2,339,523	555,820	18,078,556
Federal sources	327,853	-	-	2,776,825	3,104,678
Sales	-	-	-	420,224	420,224
Gifts and donations	-	-	-	10,391	10,391
Total revenue	32,567,618	-	2,575,533	4,771,473	39,914,624
EXPENDITURES:					
General government support	3,790,608	-	-	-	3,790,608
Instruction	20,930,145	-	-	2,349,091	23,279,236
Pupil transportation	758,324	-	-	-	758,324
Culture and recreation	-	-	-	846,580	846,580
Employee benefits	6,381,727	-	-	544,786	6,926,513
Debt service	-	-	2,142,420	-	2,142,420
Capital outlay	-	6,912,040	-	783,879	7,695,919
Cost of sales	-	-	-	810,154	810,154
Total expenditures	31,860,804	6,912,040	2,142,420	5,334,490	46,249,754

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

	General	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
Excess (deficit) revenue over expenditures	706,814	(6,912,040)	433,113	(563,017)	(6,335,130)
OTHER FINANCING SOURCES (USES):					
Funding of reserves	1,278,320	-	-	-	1,278,320
Interfund transfers out	(325,667)	-	-	(10,158)	(335,825)
Interfund transfers in	10,158	-	315,000	10,667	335,825
Proceeds from serial bonds	-	17,950,000	-	-	17,950,000
Total other financing sources (uses)	962,811	17,950,000	315,000	509	19,228,320
Excess (deficit) revenue over expenditures and other financing sources (uses)	1,669,625	11,037,960	748,113	(562,508)	12,893,190
Fund equity (deficit) - beginning of year	4,107,412	(8,744,883)	3,689,401	1,666,508	718,438
Fund equity - end of year	\$ 5,777,037	\$ 2,293,077	\$ 4,437,514	\$ 1,104,000	\$ 13,611,628

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2004

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ -	\$ 495,428
Restricted cash	258,675	94,571
Restricted investments	256,763	-
Due from other funds	<u>25</u>	<u>-</u>
Total assets	\$ <u>515,463</u>	\$ <u>589,999</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Agency liabilities	\$ -	\$ 122
Extraclassroom activity balances	-	94,571
Due to other funds	<u>30</u>	<u>495,306</u>
Total liabilities	30	589,999
NET ASSETS:		
Reserved for scholarships	<u>515,433</u>	<u>-</u>
Total liabilities and net assets	\$ <u>515,463</u>	\$ <u>589,999</u>

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Private Purpose Trusts
	<hr/>
REVENUE:	
Interest	\$ 260
Gifts and donations	<hr/> 27,363
Total revenue	27,623
EXPENSES:	
Scholarships	<hr/> 23,385
Excess revenue over expenses	4,238
OTHER FINANCING SOURCES:	
Unrealized gains on investments	<hr/> 16,836
Excess revenue over expenses and other sources	21,074
Net assets - beginning of year	<hr/> 494,359
Net assets - end of year	\$ <hr/> <hr/> 515,433

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
ASSETS:				
Cash	\$ 11,026,164	\$ -	\$ -	\$ 11,026,164
Restricted cash	3,260,208	-	-	3,260,208
Taxes and accounts receivable	380,090	-	-	380,090
State and federal aid receivable	977,535	-	-	977,535
Other receivables	82,622	-	-	82,622
Due from other governments	684,650	-	-	684,650
Due from other funds	5,318,504	-	(4,823,193)	495,311
Inventory	33,759	-	-	33,759
Capital assets, net	-	36,444,061	(1)	36,444,061
Total assets	\$ 21,763,532	\$ 36,444,061	\$ (4,823,193)	\$ 53,384,400

LIABILITIES AND NET ASSETS:

LIABILITIES:				
Accounts payable	\$ 589,535	\$ -	\$ -	\$ 589,535
Accrued liabilities	867,732	-	-	867,732
Serial bonds payable	-	35,765,000	(2)	35,765,000
Bond anticipation notes payable	-	-	-	-
Due to other funds	4,823,193	-	(4,823,193)	(3)
Due to other governments	92,222	-	-	92,222
Due to retirement systems	1,123,212	-	-	1,123,212
Deferred revenue	656,010	-	-	656,010
Compensated absences	-	8,486,540	(2)	8,486,540
Total liabilities	8,151,904	44,251,540	(4,823,193)	47,580,251

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004
(Continued)

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
NET ASSETS:				
Total fund equity/net assets	13,611,628	(7,807,479)	-	5,804,149
Total liabilities and equity	\$ 21,763,532	\$ 36,444,061	\$ (4,823,168)	\$ 53,384,425

- (1) The costs of building and acquiring capital assets (land, buildings, vehicles and equipment) purchased with governmental funds are reported as expenditures in the year they are purchased on the fund basis Statement of Revenue, Expenditures and Change in Fund Equity. The district-wide Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are depreciated and expensed annually over their useful lives.
- (2) Long-term liabilities are reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because they are not due and payable in the current period.
- (3) Elimination of interfund receivables and payables.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUE:				
Real property taxes	\$ 16,359,088	\$ -	-	\$ 16,359,088
Nonproperty taxes	861,894	-	-	861,894
Charges for services	192,428	-	-	192,428
Use of money and property	324,083	-	-	324,083
Sale of property and compensation for loss	1,950	-	-	1,950
Miscellaneous local sources	561,332	-	-	561,332
State sources	18,078,556	-	-	18,078,556
Federal sources	3,104,678	-	-	3,104,678
Sales	420,224	-	-	420,224
Gifts and donations	10,391	-	-	10,391
Total revenue	39,914,624	-	-	39,914,624
EXPENDITURES:				
General government support	3,790,608	(88,242)	(1)	3,702,366
Instruction	23,279,236	(24,328)	(1)	23,254,908
Pupil transportation	758,324	-	-	758,324
Culture and recreation	846,580	(10,656)	(1)	835,924
Employee benefits	6,926,513	(2,314,572)	(2)	4,611,941
Debt service	2,142,420	-	(1,290,000)	852,420
Capital outlay	7,695,919	(7,695,919)	(1)	-
Depreciation	-	470,000	(1)	470,000
Cost of sales	810,154	(3,945)	(1)	806,209
Total expenditures	46,249,754	(9,667,662)	(1,290,000)	35,292,092

See notes to basic financial statements and
independent auditors' report.
A12

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Excess (deficit) revenue over expenditures	(6,335,130)	9,667,662	1,290,000	4,622,532
OTHER FINANCING SOURCES (USES):				
Funding of reserves	1,278,320	-	(1,278,320)	(2)
Interfund transfers out	(335,825)	-	335,825	(4)
Interfund transfers in	335,825	-	(335,825)	(4)
Proceeds from serial bonds	17,950,000	-	(17,950,000)	(3)
Total other financing sources (uses)	19,228,320	-	(19,228,320)	-
Excess (deficit) revenue over expenditures and other financing sources (uses)	\$ 12,893,190	\$ 9,667,662	\$ (17,938,320)	\$ 4,622,532

- (1) When the purchase of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures on the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity in the year they are purchased. In the district-wide Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.
- (2) The funding or use of reserve funds for post employment benefits is recorded as a current year expenditure on the district-wide Statement of Activities.
- (3) Bond proceeds provide current financial resources and are reported as revenue in the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity. The issuing of debt is reported as an increase in long-term liabilities on the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity but is reported as a reduction of long-term liabilities in the district-wide Statement of Net Assets.
- (4) Elimination of interfund transfers.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

1. Included in the Reporting Entity

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 financial transactions and designation of student management. Cash balances and a corresponding liability are reported in the Trust and Agency Fund of the District.

2. Joint Venture

The District is one of 22 participating school districts in the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties (BOCES). The 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 is organized under Section 1950 of Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of general municipal law.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs 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 school district. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of Education Law.

The BOCES governing board is elected based on the vote of members of the participating school districts' governing boards. BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2004, the District was billed \$3,548,187 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

B. BASIS OF PRESENTATION

1. District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund financial statements:

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

The District reports the following major governmental funds:

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

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

Debt Service Fund – used to account for transactions of the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one-year after the end of the fiscal year.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education no later than October 1. Uncollected real property taxes are subsequently enforced by the City of Batavia and Towns of Batavia and Stafford. The City and Towns pay an amount representing uncollected taxes transmitted to them for enforcement to the District no later than the forthcoming January 1. Uncollected real property taxes at June 30, 2004 are reported as taxes receivable and deferred tax revenue.

E. BUDGETARY DATA

1. BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the General and Debt Service Funds. The Public Library prepares a budget for the Public Library Fund which is approved by the Library Board of Trustees. The proposed appropriation budgets are approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Supplemental appropriations may occur with Board approval, subject to legal restrictions, if a need exists which was not determined at the time the budget was adopted.

2. BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. ACCOUNTS RECEIVABLE

Accounts receivables are shown at gross with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that all accounts receivable will be collected.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INVESTMENT

Investments are valued at fair market value as of June 30, 2004.

H. INVENTORY

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase.

I. DUE TO/FROM OTHER FUNDS

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in Note 2., A., 2.

J. CAPITAL ASSETS

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,000	straight-line	40 years
Building improvements	2,000	straight-line	40 years
Site improvements	2,000	straight-line	15 years
Vehicles	2,000	straight-line	8 years
Furniture and equipment	2,000	straight-line	5-20 years

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INSURANCE

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

L. POST-EMPLOYMENT BENEFITS

In addition to providing retirement benefits, the District provides post-employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District.

Currently, 104 retirees meet these eligibility requirements. The District pays 100% of the cost of these benefits. The District recognized the cost of providing these benefits for the fiscal year 2004 by recording \$410,238 as an expenditure, its share of the healthcare costs for the currently enrolled retirees.

The District has accrued a liability for compensated absences which has been calculated at rates in effect as of the balance sheet date. The compensated absences liability recognized is attributed to the value of accumulated sick days and sick leave converted to pay the employees' share of post-employment health insurance premiums. The amount recognized at June 30, 2004 for compensated absences and the value of sick leave converted to pay employees' post-employment health insurance premiums was \$10,046,157. Of this amount, \$1,559,617 is funded and included in net assets, \$460,000 is reported as a current liability and \$8,026,540 is reported as a long-term liability.

M. DEFERRED REVENUE

The District reports deferred revenue on its balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. FUND EQUITY

Reservations of fund balances are created either to satisfy legal restrictions or plan for future expenditures. Designation of unreserved fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use. The following is a description of the reserves utilized by the District.

1. RESERVED FUND BALANCE

a. Encumbrance Reserve

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

b. Tax Certiorari Reserve

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

c. Reserved for Employee Benefits Accrued Liability

This reserve is used to reserve funds for the payment of accrued employee benefits due to employees upon termination of service.

d. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. The reserve is accounted for in the General Fund.

e. Unemployment Insurance Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York Unemployment Insurance Fund for payments made to claimants.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Reserve for Debt Service

This reserve is used to account for revenue restricted for payment of debt, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund

2. UNRESERVED

General Fund - The amount of \$955,000 has been designated as the amount estimated to be appropriated to reduce taxes in the subsequent year as required by Section 1318 of the Real Property Tax Law.

Library Fund - The amount of \$55,000 has been designated as the amount estimated to be appropriated to reduce taxes in the subsequent year.

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

1. CASH AND INVESTMENTS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits

The financial institution (bank) balances at June 30, 2004, according to the bank amounted to \$15,899,082. These deposits are valued at cost plus interest and are categorized as follows:

1. Insured by Federal Deposit Insurance - \$400,000

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

2. Collateralized with securities held by the pledging institution's trust department in the District's name - \$7,806,347.
3. Collateralized with securities held by a third party under a collateral agreement with the District's financial institution in the District's name - \$7,692,735.

Investments

Included in the District's Trust and Agency Fund are non-expendable investments. Income from the investments may be used for scholarships for the District's students. These investments are stated at fair market value and are categorized as registered and held by the District.

	<u>Cost</u>	<u>Market Value</u> <u>June 30, 2004</u>
54 Shares American Telephone and Telegraph, Inc.	\$ 2,820	\$ 790
319 Shares Verizon	5,498	11,545
630 Shares SBC Communications	5,437	15,278
3,527 Shares Putnam Investors Fund, Inc.	27,852	40,740
2,386 Shares JP Morgan Chase	24,319	92,505
352 Shares Lucent Technologies, Inc.	1,141	1,331
93 Agere Systems	-	200
3,210 Shares Eastman Kodak	200,000	86,606
72 Shares Bank of America	5,452	6,093

For the year ended June 30, 2004, the District recognized an unrealized gain of \$15,160.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

2. INTERFUND ACTIVITY BALANCES

Interfund balances at June 30, 2004 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,495,564	\$ 2,972,182	\$ -	\$ 325,667
Special Aid Fund	99,195	750,729	10,667	-
Capital Projects Fund	697,935	416,785	-	-
Debt Service Fund	3,008,529	462,895	315,000	-
Public Library Fund	7,793	138,073	-	-
School Lunch Fund	9,488	82,529	-	-
Trust and Agency Fund	<u>25</u>	<u>495,336</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,318,529</u>	<u>\$ 5,318,529</u>	<u>\$ 325,667</u>	<u>\$ 325,667</u>

3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2004 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,427,349	\$ -	\$ -	\$ 2,427,349
Construction in progress	<u>17,919,435</u>	<u>7,695,919</u>	<u>-</u>	<u>25,615,354</u>
Total nondepreciable historical cost	<u>20,346,784</u>	<u>7,695,919</u>	<u>-</u>	<u>28,042,703</u>
Capital assets that are depreciated:				
Buildings	29,762,604	-	-	29,762,604
Furniture and equipment	3,357,203	100,156	-	3,457,359
Vehicles	<u>223,922</u>	<u>27,015</u>	<u>-</u>	<u>250,937</u>
Total depreciable historical cost	<u>33,343,729</u>	<u>127,171</u>	<u>-</u>	<u>33,470,900</u>
Less accumulated depreciation:				
Buildings	22,250,437	300,000	-	22,550,437
Furniture and equipment	2,189,105	150,000	-	2,339,105
Vehicles	<u>160,000</u>	<u>20,000</u>	<u>-</u>	<u>180,000</u>
Total accumulated depreciation	<u>24,599,542</u>	<u>470,000</u>	<u>-</u>	<u>25,069,542</u>
Total depreciable historical cost, net	<u>\$29,090,971</u>	<u>\$ 7,353,090</u>	<u>\$ -</u>	<u>\$36,444,061</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. LIABILITIES

1. PENSION PLANS

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

PLAN DESCRIPTIONS

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

FUNDING POLICIES

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3% of their salary. Employees in the system more than ten years are no longer required to contribute. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The District is required to contribute at an actuarially determined rate. The retirement contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2004	\$ 200,802	\$ 366,649
2003	55,201	54,320
2002	23,343	53,266

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Since 1989, the ERS's billings have been based on Chapter 62 of the Law of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The District has paid this liability in full.

Pursuant to Chapter 30 and 47 retirement incentive programs, the State Legislature authorized local governments to make available retirement incentive programs. The District's estimated total cost of participating in the programs is approximately \$933,942, which was charged to expenditures in the Governmental Funds in the fiscal year the incentives were adopted.

2. INDEBTEDNESS

SHORT-TERM DEBT

The District may issue Bond Anticipation Notes, 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. Interest on short-term debt amounted to \$200,771.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 3/26/04 at 1.18%	\$17,061,905	\$ -	\$17,061,905	\$ -

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds and note payable:					
General obligation debt:					
Serial Bonds	\$19,105,000	\$17,950,000	\$ 1,290,000	\$35,765,000	\$ 2,660,000
Other liabilities:					
Due to Teachers'					
Retirement System	186,789	-	186,789	-	-
Due to Employees'					
Retirement System	11,652	-	11,652	-	-
Compensated absences	<u>9,991,476</u>	<u>-</u>	<u>1,504,936</u>	<u>8,486,540</u>	<u>460,000</u>
Total other liabilities	<u>10,189,917</u>	<u>-</u>	<u>1,703,377</u>	<u>8,486,540</u>	<u>460,000</u>
 Total long-term					
Liabilities	<u>\$29,294,917</u>	<u>\$17,950,000</u>	<u>\$ 2,993,377</u>	<u>\$44,251,540</u>	<u>\$ 3,120,000</u>

Interest on long-term debt amounted to \$616,769 for the year ended June 30, 2004.

The following is a summary of maturity of indebtedness outstanding at June 30, 2004:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2004</u>
Serial Bonds Payable	5/15/03	5/15/18	Variable	\$ 9,950,000
	12/14/02	6/15/14	Variable	7,865,000
	3/15/04	3/15/19	Variable	<u>17,950,000</u>
Total				<u>\$35,765,000</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The following table summarizes the District's future debt service requirements for serial bonds outstanding at June 30, 2004:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,260,000	\$ 1,178,125
2006	2,320,000	1,120,625
2007	2,385,000	1,059,662
2008	2,455,000	992,039
2009-2013	13,110,000	3,771,911
2014-2018	11,760,000	1,578,263
2019	<u>1,475,000</u>	<u>59,000</u>
Total	<u>\$35,765,000</u>	<u>\$ 9,759,625</u>

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Prescription Drug and Health Insurance Plan

The District independently self insures costs related to an employee prescription drug plan. The process of computing claim liabilities does not necessarily result in an exact amount since such liabilities are based on claims that have not been reported or credited to expense in the periods in which they are made. As of June 30, 2004, the District has accrued a liability for incurred but not reported claim costs of \$150,000.

Effective October 1, 2003, the District terminated its self-insured health insurance plan and replaced it with a traditional health insurance plan. Under the terms of the agreement with the new health insurance plan, the District is responsible for claim costs under the self-insured health insurance plan for a period of two years subsequent to the termination date. As of June 30, 2004, the District has accrued a liability for incurred but not reported insured events of \$147,409 related to its self-insured health insurance plan.

Workers' Compensation Plan

The District is a participant in the Genesee County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Genesee County. The Plan provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS AND CONTINGENCIES (Continued)

The District is one of 40 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing participation in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th.

Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Plan has established reserve liabilities which provide for current claim expenses. At June 30, 2004 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District. However, based on the County's December 31, 2001 financial statements, the Plan has recorded unfunded liabilities for estimated claims incurred prior to December 31, 2002 in excess of current reserves for all participants other than Genesee County of \$1,625,358. As of June 30, 2004, the District had accrued a liability for \$150,000 as an estimate of their portion of the Plan's unfunded liability.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - FUND BALANCE - RESERVED

A. CHANGES IN GENERAL FUND BALANCE COMPONENTS

Changes in the various reserves recorded by the District in the General Fund are as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
Tax Certiorari Proceedings	\$ 243,407	\$ 5,573	\$ -	\$ 248,980
Unemployment Insurance	735,835	16,849	38,136	714,548
Employee Benefit Accrued Liability	275,000	1,284,617	-	1,559,617
Capital Reserve	715,716	16,388	-	732,104
Flex Spending`	<u>4,959</u>	<u>-</u>	<u>-</u>	<u>4,959</u>
	<u>\$ 1,974,917</u>	<u>\$ 1,323,427</u>	<u>\$ 38,136</u>	<u>\$ 3,260,208</u>

NOTE 5 – PRIOR PERIOD ADJUSTMENT

In the prior year, the District had estimated the cost value of their land. In the current year, the District reviewed their archive records and obtained records of the cost of land purchased by the district back to 1872. As a result, the District has recorded a prior period adjustment of \$1,527,259 to reflect the change in the original estimate.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUE:				
Local sources:				
Real property taxes	\$ 15,379,751	\$ 15,379,751	\$ 15,439,910	\$ 60,159
Nonproperty tax items	775,000	775,000	861,894	86,894
Charges for services	55,500	55,500	153,712	98,212
Use of money and property	291,000	291,000	221,375	(69,625)
Sale of property and compensation for loss	-	-	1,950	1,950
Miscellaneous	492,500	492,500	377,711	(114,789)
State sources:				
Basic formula	13,065,137	13,065,137	13,502,485	437,348
BOCES	1,357,778	1,357,778	1,468,637	110,859
All other state aid	559,220	559,220	212,091	(347,129)
Federal sources	130,000	130,000	327,853	197,853
Total revenue	32,105,886	32,105,886	32,567,618	461,732
Other sources:				
Funding of reserves	-	-	1,278,320	1,278,320
Transfers in	-	-	10,158	10,158
Appropriated fund balance	955,000	1,473,859	-	(1,473,859)
Total revenue and other sources	\$ 33,060,886	\$ 33,579,745	\$ 33,856,096	\$ 276,351

See notes to basic financial statements and
independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES:					
General support:					
Board of education	\$ 9,050	\$ 8,650	\$ 8,627	\$ -	\$ 23
Central administration	200,431	204,971	204,871	45	55
Finance	490,336	406,503	374,990	31,216	297
Staff	177,001	122,896	122,710	-	186
Central services	2,615,228	2,955,527	2,636,181	314,750	4,596
Special items	701,503	703,203	443,229	-	259,974
Instruction:					
Instruction, administration, and improvements	1,232,192	1,261,791	1,255,733	5,772	286
Teaching - regular school	12,387,394	13,016,703	12,670,053	337,359	9,291
Programs for children with handicaps	4,283,825	3,456,792	3,353,900	82,564	20,328
Occupational education	675,912	676,661	649,450	-	27,211
Instructional media	1,796,534	1,588,018	1,476,769	96,028	15,221
Pupil services	1,808,226	1,701,871	1,524,240	46,646	130,985
Pupil transportation	672,764	768,529	758,324	6,500	3,705
Employee benefits	5,678,490	6,381,880	6,381,727	-	153
Debt service - interest	1,000	-	-	-	-
Total expenditures	32,729,886	33,253,995	31,860,804	920,880	472,311
Other uses:					
Interfund transfers	331,000	325,750	325,667	-	83
Total expenditures and other uses	\$ 33,060,886	\$ 33,579,745	\$ 32,186,471	\$ 920,880	\$ 472,394
Excess revenue over expenditures and other uses			\$ 1,669,625		

See notes to basic financial statements and
independent auditors' report.
A31

SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2004

	Public Library	School Lunch	Special Aid	Capital John Kennedy	Other Small Capital Projects	Total
ASSETS:						
Cash	\$ 444,845	\$ 266,586	\$ 409,292	\$ 403,644	\$ 187,990	\$ 1,712,357
Accounts receivable	-	6,855	10,209	-	-	17,064
Due from other funds	7,793	9,488	99,195	270,939	-	387,415
State and federal aid receivable	-	31,792	259,262	-	-	291,054
Inventory	-	33,759	-	-	-	33,759
Total assets	\$ 452,638	\$ 348,480	\$ 777,958	\$ 674,583	\$ 187,990	\$ 2,441,649
LIABILITIES AND FUND EQUITY:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 168,511	\$ -	\$ 168,511
Accrued liabilities	23,025	1,125	-	-	-	24,150
Due to other governments	-	834	-	-	-	834
Due to other funds	138,073	82,529	750,729	60,525	78,774	1,110,630
Deferred revenue	6,295	-	27,229	-	-	33,524
Total liabilities	167,393	84,488	777,958	229,036	78,774	1,337,649
Fund equity:						
Reserved for encumbrances	-	-	78,093	-	-	78,093
Designated for subsequent year's expenditures	55,000	-	-	-	-	55,000
Undesignated	230,245	263,992	(78,093)	445,547	109,216	970,907
Total fund balance	285,245	263,992	-	445,547	109,216	1,104,000
Total liabilities and fund equity	\$ 452,638	\$ 348,480	\$ 777,958	\$ 674,583	\$ 187,990	\$ 2,441,649

See independent auditors' report.

BI

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

REVENUE:	Public Library	School Lunch	Special Aid	Capital John Kennedy	Other Small Capital Projects	Total
Real property taxes	\$ 919,178	\$ -	\$ -	\$ -	-	\$ 919,178
Charges for services	38,716	-	-	-	-	38,716
Use of money and property	409	1,236	-	-	-	1,645
Miscellaneous	37,356	11,318	-	-	-	48,674
State sources	4,137	33,653	326,302	191,728	-	555,820
Federal sources	-	479,739	2,297,086	-	-	2,776,825
Gifts and donations	10,391	-	-	-	-	10,391
Sales	-	420,224	-	-	-	420,224
Total revenue	1,010,187	946,170	2,623,388	191,728	-	4,771,473
EXPENDITURES:						
General support	-	-	-	-	-	-
Instruction	-	-	2,349,091	-	-	2,349,091
Pupil transportation	-	-	-	-	-	-
Culture and recreation	846,580	-	-	-	-	846,580
Employee benefits	172,713	97,267	274,806	-	-	544,786
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	783,879	-	783,879
Cost of sales	-	810,154	-	-	-	810,154
Total expenditures	1,019,293	907,421	2,623,897	783,879	-	5,334,490

See independent auditors' report.
B2

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Public Library	School Lunch	Special Aid	Capital John Kennedy	Other Small Capital Projects	Total
Excess (deficit) revenue over expenditures	(9,106)	38,749	(509)	(592,151)	-	(563,017)
OTHER FINANCING SOURCES:						
Interfund transfers out	-	-	(10,158)	-	-	(10,158)
Interfund transfers in	-	-	10,667	-	-	10,667
Proceeds from serial bonds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	509	-	-	509
Excess revenue over expenditures and other financing sources	(9,106)	38,749	-	(592,151)	-	(562,508)
Fund equity (deficit) - beginning of year	294,351	225,243	-	1,037,698	109,216	1,666,508
Fund equity - end of year	\$ 285,245	\$ 263,992	\$ -	\$ 445,547	\$ 109,216	\$ 1,104,000

See independent auditors' report.
B3

BATAVIA CITY SCHOOL DISTRICT
GENERAL FUND
ANALYSIS OF CHANGE FROM ORIGINAL BUDGET
TO REVISED BUDGET
FOR THE YEAR ENDED JUNE 30, 2004

Original Budget	\$33,060,886
Additions:	
Encumbrances	___ 518,859
Revised Budget	<u>\$33,579,745</u>

BATAVIA CITY SCHOOL DISTRICT
GENERAL FUND
ANALYSIS OF USE OF BEGINNING FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

A909 Fund balance as of beginning of year (unreserved)	\$ 1,613,636
Less:	
A599 Appropriated fund balance used for levy of taxes	___ 955,000
Fund balance (undesignated)	<u>\$ 658,636</u>

See report of independent accountants.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
JUNE 30, 2004

Project Title	Original Appropriations	Revised Appropriations	Expenditures to Date		Total	Available Balance
			Prior Years	Current Year		
Land - Capital Reserve	\$ 62,895	\$ 432,325	\$ 324,953	\$ -	\$ 324,953	\$ 107,372
Computer Technology	200,000	4,704,190	4,565,335	-	4,565,335	138,855
Jackson Addition	5,935,200	5,935,200	5,599,799	-	5,599,799	335,401
Robert Morris Reconstruction	1,593,300	1,593,300	1,582,837	-	1,582,837	10,463
John Kennedy - Renovation	10,100,277	10,100,277	9,207,532	783,879	9,991,411	108,866
High School - Renovation	18,092,043	18,092,043	8,691,546	6,912,040	15,603,586	2,488,457
Administration Building - HVAC and Electrical Work	502,585	502,585	46,770	-	46,770	455,815
Light Panel	84,500	84,500	73,369	-	73,369	11,131
Library Roof	79,000	79,000	68,715	-	68,715	10,285
Cameras	87,400	87,400	87,400	-	87,400	-
Total	\$ 36,737,200	\$ 41,610,820	\$ 30,248,256	\$ 7,695,919	\$ 37,944,175	\$ 3,666,645

See independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2004

	<u>ST-3</u> <u>Account Code</u>	<u>Audited</u> <u>Amount</u>	<u>ST-3</u> <u>Amount</u>
REVENUE:			
Property Taxes	A-1001	\$11,377,932	\$11,377,932
Non Property Taxes	AT-1199	861,894	861,894
State Aid	AT-3999	15,183,213	15,183,213
Federal Aid	AT-4999	327,853	327,853
Total Revenue	AT-5999	33,856,096	33,856,096
EXPENDITURES:			
General Support	AT-1999	\$ 3,790,608	\$ 3,790,608
Pupil Transportation	AT-5599	758,324	758,324
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	32,186,471	32,186,471

See report of independent accountants.

SECTION C

FEDERAL FINANCIAL ASSISTANCE



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditors' Report
on Supplementary Information -
Schedule of Expenditures of Federal Awards**

The President and Members of the
Board of Education of
Batavia City School District
Batavia, New York

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2004 and have issued an unqualified opinion in our report thereon dated August 6, 2004. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Batavia, New York
August 6, 2004

Freed Maxick + Battaglia PC

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Direct Programs		
None		
Passed through New York State Bureau of School Food Management		
Food Distribution*	10.550	\$ 62,531
National School Lunch Program*	10.555	324,987
National School Breakfast Program*	10.553	<u>92,221</u>
Total U.S. Department of Agriculture		<u>479,739</u>
 <u>U.S. Department of Education</u>		
Direct Programs		
None		
Passed through the State Education Department of the State of New York		
Educationally Deprived Children -		
Local Education Agencies – 2003-2004*	84.010	701,832
2002-2003*	84.010	162,717
Migrant Education – 2003-2004	84.011	354,772
2002-2003	84.011	107,810
Local Educational Agencies		
Title VI of ESEA 2003-2004	84.298	11,031
Education of the Handicapped (PL94-142)		
2003-2004*	84.027	477,238
2002-2003*	84.027	87,316
ESEA Title II-2003-2004	84.281	111,657
2002-2003	84.281	9,174
Drug-Free Schools and Communities		
2003-2004	84.186	17,019
2002-2003	84.186	2,693
Handicapped-State Grants - Part B, Education of the Handicapped (PL99-457)		
2003-2004	84.173	20,338
2002-2003	84.173	36,130
Title VI – Class Size Reduction		
2003-2004	84.340	149,427
Committee on Preschool Education		
Part B, Education of the		
Handicapped – 2003-2004 CPSE	84.173	<u>47,932</u>
Total U.S. Department of Education		<u>2,297,086</u>
 Total Expenditures of Federal Awards		 \$ <u>2,776,825</u>

*Denotes Major Program

See notes to Schedule of Expenditures of Federal Awards
and independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by Batavia City School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The amounts reported as Federal expenditures were obtained from the general ledger detail, which is the source of the District's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

All Federal financial assistance received was passed-through departments of the State of New York.

NOTE 4 - MAJOR PROGRAM DETERMINATION

The District has determined that all federal programs with expenditures of \$500,000 or more are Type A programs, which are deemed major programs for the purpose of the Schedule of Expenditures of Federal Awards. The District has determined certain federal type B programs, as noted on the Schedule of Expenditures of Federal Awards, be classified as major programs, such that the aggregate amount of the major program expenditures exceed 50% of the total federal awards expended.

NOTE 5 - NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2004, the School District received \$62,531 worth of commodities under the Surplus Food Distribution Program (CFDA 10.550).

SECTION D

INTERNAL CONTROL AND COMPLIANCE



**Independent Auditors' Report
on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Basic
Financial Statements Performed in Accordance with
*Government Auditing Standards***

The President and Members of the
Board of Education of
Batavia City School District
Batavia, New York

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2004, and have issued an unqualified opinion in our report thereon dated August 6, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Batavia, New York
August 6, 2004

Fred Maxick + Battaglia PC



**Independent Auditors' Report on Compliance
with Requirements Applicable to Each Major
Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The President and Members of the
Board of Education of
Batavia City School District
Batavia, New York

Compliance

We have audited the compliance of Batavia City School District (the District) with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The District's major Federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Batavia City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above as item 04-1 to be a material weakness.

This report is intended solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Batavia, New York
August 6, 2004

Freed Maxick + Battaglia PC

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDIT RESULTS

1. The report of Independent Accountants expressed an unqualified opinion on the basic financial statements of Batavia City School District.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Report of Independent Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were noted that would be required to be reported in accordance with *Government Auditing Standards*.
4. One reportable condition noted during the audit of the major Federal award programs is reported in the Report of Independent Accountants on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. The condition is not reported as a material weaknesses.
5. The auditor's report on compliance for the major Federal award programs for the District expresses an unqualified opinion on all major Federal programs.
6. No audit findings relative to the major award programs are reported in this schedule.
7. The programs tested as major programs included: the Title I Program (CFDA – 84.010), the School Lunch Program (CFDA – 10.555), School Breakfast Program (CFDA – 10.553), Food Distribution Program (CFDA – 10.500) and the Education of the Handicapped Program (CFDA - 84.027).
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. Batavia City School District did not qualify as a low-risk auditee.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

Findings - Financial Statement Audit

04-1 Segregation of Duties

The size of the District's business office limits the extent of separation of duties. The basic premise of adequate segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Internal controls are designed to safeguard assets and help prevent losses from employee errors or dishonesty. While the size of the District's accounting staff prohibits complete adherence to this concept, we recommend that management evaluate the accounting system and segregate as many of the accounting functions as possible.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

<u>FINDING</u>	<u>STATUS</u>
03-1 Segregation of Duties	
The size of the District's business office limits the extent of segregation of duties and the ability to cross-train office personnel. The basic premise of adequate segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.	See finding 04-1
03-2 Purchasing	
During our audit, we noted a purchase in the General Fund that was in excess of the minimum bid limits, but was not purchased through competitive bids or State contract agreements.	We noted no reoccurrence of this finding in the current year.
03-3 Interfund Transfers	
During our audit, we noted that the District made an interfund transfer to the Special Aid Fund of \$25,219 to reimburse the Special Aid Fund for the local share of the summer school program. The transfer exceeded the amount budgeted by \$9,219.	We noted no reoccurrence of this finding in the current year.

SECTION E
EXTRACLASSROOM ACTIVITY



**Independent Auditors' Report on the
Statement of Cash Receipts, Disbursements and
Fund Balance - Cash Basis - of the
Extraclassroom Activity Funds**

The President and Members of the
Board of Education of
Batavia City School District
Batavia, New York

We have audited the accompanying statement of cash receipts, disbursements and fund balance - cash basis of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2004. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the central treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

The District's policy is to prepare the financial statements of the Extraclassroom Activity Funds on the basis of cash receipts and disbursements as explained in Note 1 to the financial statement. Accordingly, the accompanying statement of cash receipts, disbursements and fund balance - cash basis is not intended to present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the year ended June 30, 2004, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Batavia, New York
August 6, 2004

Fred Maxick + Battaglia PC

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Cash Receipts	Cash Disbursements	Balance June 30, 2004
Class of 1997	\$ 101	\$ -	\$ 101	\$ -
Class of 1999	1,859	-	1,859	-
Class of 2002	1,389	-	1,389	-
Class of 2003	(376)	376	-	-
Class of 2004	6,918	11,132	18,050	-
Class of 2005	4,610	4,197	3,386	5,421
Class of 2006	4,184	988	722	4,450
Class of 2007	-	2,887	1,842	1,045
Batavian	2,631	22,747	21,054	4,324
BHS Student Government	8,283	6,495	6,429	8,349
BHS Ski Club	3,762	13,529	15,305	1,986
Sales Lab	1,477	4,137	3,834	1,780
Baseball Fund	314	-	-	314
BHS Literary	863	1,850	1,100	1,613
BHS Band	4,458	3,955	3,963	4,450
BHS Library	170	24	78	116
BHS Chorus	8,503	2,477	3,092	7,888
BHS Assembly	1,077	2,964	2,706	1,335
BHS Gymnastics	587	145	612	120
A.P. Fund	876	9,486	8,182	2,180
National Honor Society	146	3,565	3,535	176
BHS Language Club	216	-	-	216
SADD	496	4,411	4,230	677
Project Graduation	187	1,892	1,888	191
BHS Pages	269	237	330	176
Boys Basketball Club	53	-	-	53
BHS Tennis	21	-	-	21
BMS Band	2,231	6,310	3,196	5,345
BMS Bowling	17	-	-	17
Subtotal	\$ 55,322	\$ 103,804	\$ 106,883	\$ 52,243

See note to financial statement
and independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

	Balance <u>July 1, 2003</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2004</u>
BMS Chorus	518	-	-	518
BMS Yearbook	3,535	10,742	11,722	2,555
BMS Orchestra	2,779	6,041	4,292	4,528
Character Education	492	150	564	78
BMS Tech. Club	1,559	-	-	1,559
BMS Assembly	4,376	2,029	1,393	5,012
BMS Student Council	3,574	7,443	8,708	2,309
BMS Honor Society	1,544	-	134	1,410
BMS AHEAD	2,593	677	579	2,691
BMS Hand-in-Hand	6	-	6	-
7th Grade - Team I	5,843	5,904	7,287	4,460
7th Grade - Team II	2,527	3,120	3,522	2,125
8th Grade - Team I & II	1,575	4,977	4,973	1,579
Wall-to-Wall	854	166	23	997
M.S. Book Fair	234	2,039	1,819	454
R. Morris - 5th grade	2	-	2	-
R. Morris Media	984	3,102	2,942	1,144
R. Morris Student Council	539	1,085	936	688
R. Morris Assembly	2,638	746	3,384	-
R. Morris Newspaper	-	-	-	-
J. Kennedy Media	224	98	320	2
J. Kennedy Council	1,519	-	-	1,519
Girls Basketball	34	-	-	34
Books Across America	138	-	-	138
BHS Cultural Diversity	688	-	688	-
BHS Whalewatch	156	-	156	-
BMS Chess Club	153	-	75	78
Varsity Club	62	2,815	2,595	282
BHS Scholastic Bowl	467	100	-	567
BHS Drama Club	42	-	9	33
Subtotal	\$ 39,655	\$ 51,234	\$ 56,129	\$ 34,760

See note to financial statement
and independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

	Balance <u>July 1, 2003</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2004</u>
BMS Literacy Magazine	108	25	17	116
High School Production	6,589	4,643	7,622	3,610
INK	71	13	28	56
Girls Volleyball	162	-	-	162
Girls Softball	(72)	559	479	8
Sports Medicine	272	-	206	66
J.V. Football Cheerleaders	-	5,254	5,234	20
Jackson Library	21	180	200	1
BMS 6th South	718	3,001	3,540	179
BMS 6th North	3,439	3,591	5,940	1,090
Starowitz Grade 5	-	3,469	3,469	-
BMS Ski Club	-	25,218	24,413	805
Art Club	-	53	-	53
Model UN	-	760	620	140
BHS Drama	-	1,182	244	938
RM School Store	-	330	219	111
Interest Checking	96	117	-	213
Subtotal	11,404	48,395	52,231	7,568
Subtotal (E3)	55,322	103,804	106,883	52,243
Subtotal (E4)	39,655	51,234	56,129	34,760
Total	\$ <u>106,381</u>	\$ <u>203,433</u>	\$ <u>215,243</u>	\$ <u>94,571</u>

See note to financial statement
and independent auditors' report.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Trust and Agency Fund in the District's statement of net assets - fiduciary funds at June 30, 2004.

The books and records of the District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Sales Lab and Interest Checking are not clubs but have been reported as separate line items in the Statement of Cash Receipts, Cash Disbursements and Fund Balance for record keeping purposes.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

CASH RECEIPTS

Based on our conversations with School District Officials, we noted that student treasurers and advisors are not providing the Central Treasurer with documentation to support the amount of cash collected from fundraising activities. This deficiency has resulted in a qualification of our audit report.

Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued at the point of sale and a preaudit of receipts was available for each major fundraiser. Extraclassroom activity funds are derived from a number of sources such as admissions, sales and campaigns. The procedures used in collecting and preauditing these several types of receipts will naturally vary. As far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the preaudit and recording of receipts, statements should be prepared by those collecting money. Such statements should, on the face of them, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and an estimate should be obtained as to the amount of sales tax which will be collected. Such statements should enable those collecting money to prepare a complete report and verify the money turned over to the treasurer. In addition, they will afford protection for those handling funds, facilitate a check, and serve as documentary evidence, which can be used for accounting purposes. A preaudit of receipts should make only reasonable allowances for errors in making change.

Some common types of receipts and suggested controls are as follows:

Admissions – Pre-numbered tickets should be used with a record of the first, last and all unused ticket numbers. Tickets sold multiplied by the price should be reconciled to cash receipts.

Receipts from Sales Campaigning – Students collecting monies should issue pre-numbered receipts in duplicate, the original to the purchaser and the carbon to the student treasurer of the activity. If receipts are not practical (such as a candy sale), the student treasurer with the assistance of the advisor should devise a method whereby the exact amount to be realized by the sale is determined in advance. Each sales person should be given a statement showing the amount which is to be received. After the sale, each salesperson should then turn in that amount in cash and/or unsold goods. Documentation should be filed to back up deposits made by the student treasurer.

We suggest the administrators of the District, Central Treasurer and advisors review the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds – Finance Pamphlet 2, issued by the State of Education Department which covers internal controls over cash receipts as well as other recommended policies and procedures.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

CASH DISBURSEMENTS

Based on our tests of the extraclassroom cash disbursements, we noted the following:

- Two checks were issued by the Central Treasurer without the student's signature present on the disbursement order.
- One disbursement was made without the presence an original vendor invoice.

We suggest that the Central Treasurer refrain from issuing checks for disbursements without all of the necessary signatures being present on the disbursement order and without an original copy of the invoice.

ACTIVITY FUND MANAGEMENT

During our audit, we were informed by the Central Treasurer that budgets and profit and loss analyses for fund-raising events are not prepared. The Board of Education has the ultimate responsibility for the safeguarding of the Extraclassroom Activity Fund. The Board delegates this responsibility to the Central Treasurer, the faculty advisors and the student treasurers.

In order to help monitor the plans and operations of the various activities, we suggest that at the start of each school year the activity advisors and activity officers prepare a program outline indicating the various events to be held, the anticipated profits and the plans for the proceeds. As each event is completed, the program outline should be compared to the actual results. The Profit and Loss Analysis should be filed with the activity records for future reference. A copy of the program outline should be given to the facility advisor and the Central Treasurer so they can anticipate the various events throughout the year.

STUDENT LEDGERS

During our audit, noted instances whereby the student treasurers were not maintaining accounting ledgers or student ledgers were not provided during the audit. Finance Pamphlet 2 recommends that student treasurers maintain a ledger showing all cash receipts and disbursements, and a daily running equity balance. It is also suggested that the student treasurer maintain a file of all supporting data, chronologically as evidence for the entries made in the ledger. We also noted some instances where the student treasurer ledgers did not agree to the Central Treasurer's ledger. We recommend that student treasurers reconcile their ledgers with the Central Treasurer's ledger on a semi-annual basis.

BATAVIA CITY SCHOOL DISTRICT
EXTRAClassroom Activity Funds
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

DEFINITION

During our audit, it came to our attention that there were some clubs that did not appear to meet the established criteria for an extraclassroom activity. They did not appear to be organized for the benefit of a student organization, nor were the activities of the club conducted by students. Extraclassroom Finance Pamphlet 2 defines an extraclassroom activity as "an organization within a school district whose activities are conducted by and for the students and whose financial support is raised other than by taxation or through charges of the Board of Education." The pamphlet goes on to state that "Extraclassroom activities are those operated by and for the students." Monies are usually collected voluntarily by students and are spent by them as they see fit so long as they abide by established guidelines.

We recommend that the Board of Education review and evaluate these clubs to determine if they meet the criteria of an Extraclassroom Activity.

INACTIVE CLUBS

During our audit of the Extraclassroom Activity Funds, we also noted a number of inactive clubs. We suggest that the Board of Education closely monitor club activities and close inactive clubs in accordance with board policy.