

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2005**

BATAVIA CITY SCHOOL DISTRICT

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SECTION A
FINANCIAL SECTION



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 the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, the aggregate fund information of Batavia City School District as of June 30, 2005, the respective changes in financial position and respective budgetary comparison of the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2005 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedule on pages 1 through 13 and A28 through A29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the School District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The combining fund financial statements listed in the table of contents as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, 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 2, 2005

Fred Maxick + Battaglia CPAs PC



Management Discussion and Analysis

Batavia City School District

Fiscal Year ended June 30, 2005

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, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2005 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 \$610,513, and this amount was within the statutory limit.
- General revenues which include Federal and State Aid and Real Property Taxes accounted for \$31,224,418 or 76.1% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Operating Contributions accounted for \$9,810,622 or 23.9% of total revenues.
- The District continued to fund its retiree health insurance liability for current employees and has a total of \$1,932,983 set aside in a reserve.
- The District had expenditures of \$2,297,940 in three 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

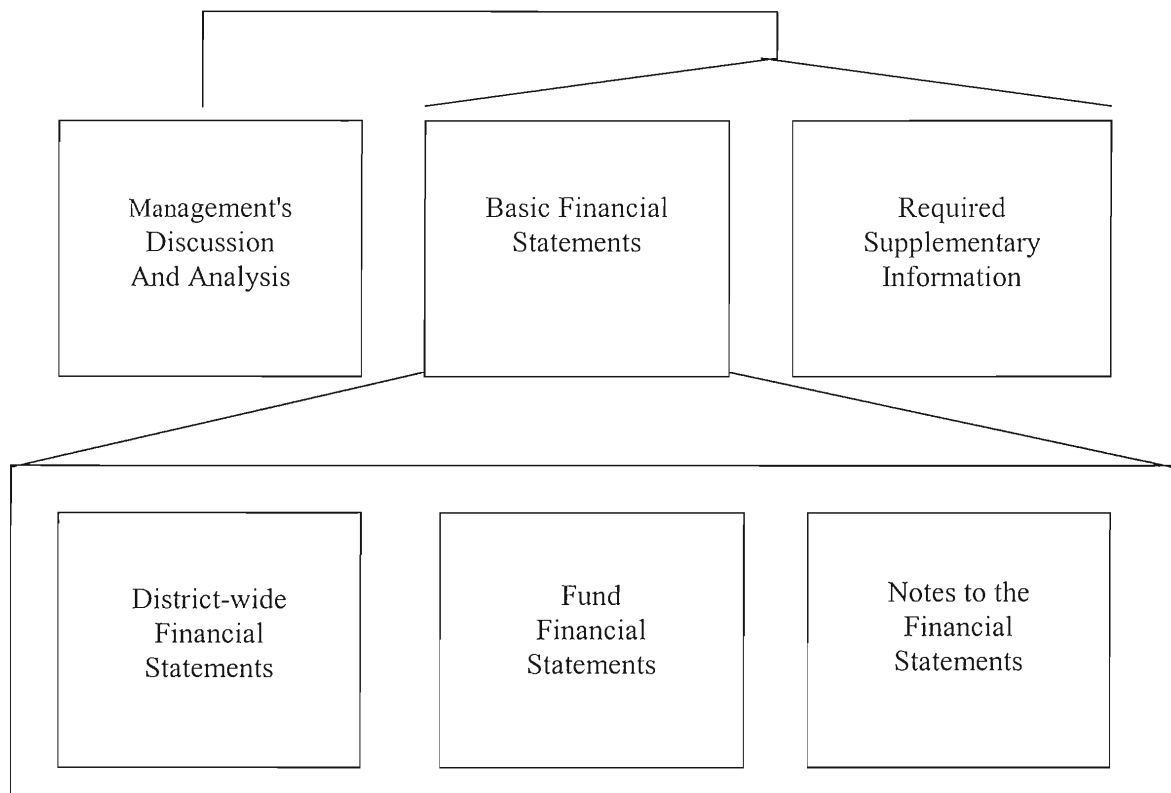


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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 \$4,175,390 constitute 7.8% of total assets.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2005	2004	2003-2004
Current and other assets	\$ 15,913	\$ 16,940	-6.06%
Capital assets, net	37,649	36,444	3.31%
Total assets	<u>\$ 53,562</u>	<u>\$ 53,384</u>	<u>0.33%</u>
Long-term liabilities	\$ 41,745	\$ 44,252	-5.67%
Other liabilities	3,490	3,328	4.87%
Total liabilities	<u>45,235</u>	<u>47,580</u>	<u>-4.93%</u>
Invested in capital assets			
net of related debt	4,694	4,324	8.56%
Restricted	4,175	4,438	-5.93%
Undesignated	(542)	(2,958)	-81.68%
Total net assets	<u>\$ 8,327</u>	<u>\$ 5,804</u>	<u>43.47%</u>
Total liabilities and and net assets	<u>\$ 53,562</u>	<u>\$ 53,384</u>	

Figure A-4

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

	Governmental Activities and Total District		Total Percentage Change
	2005	2004	2004-2005
Revenue			
Property and non-property taxes	\$ 18,129	\$ 17,221	5.27%
Charges for services	167	193	-13.47%
Use of money and property	452	324	39.51%
Interfund revenue	56	-	
Miscellaneous	405	574	-29.44%
State and federal aid	21,395	21,183	1.00%
Sales	431	420	2.62%
Total revenue	41,035	39,915	2.81%
Expenses			
General support	5,094	4,129	23.37%
Instruction	28,363	27,164	4.41%
Transportation	821	765	7.32%
Debt service	1,178	852	38.26%
Culture & recreation	1,045	1,009	3.57%
Depreciation	1,091	470	132.13%
Cost of sales	920	903	1.88%
Total expenses	38,512	35,292	9.12%
Net increase in net assets	\$ 2,523	\$ 4,623	-45.43%

Figure A-5

Sources of Revenues for Fiscal Year 2005

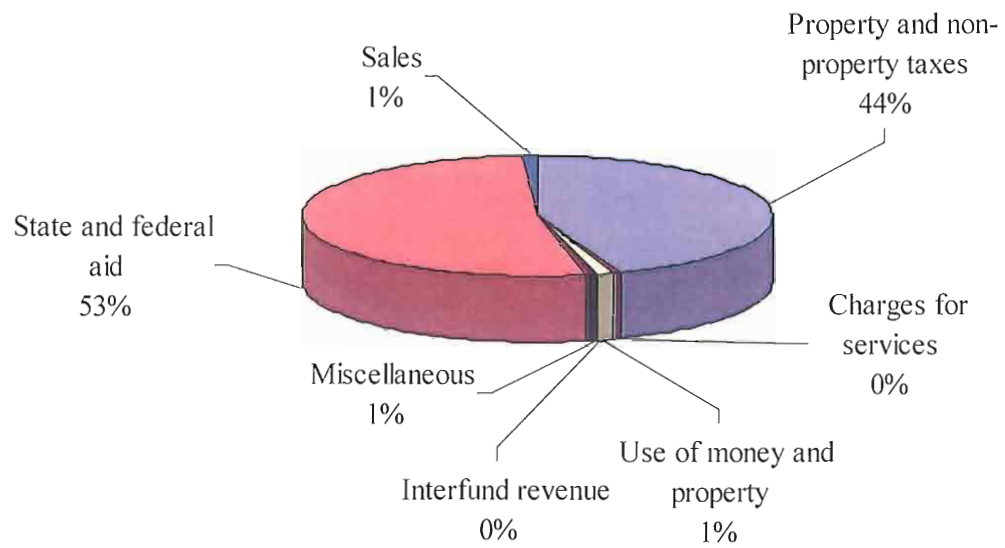
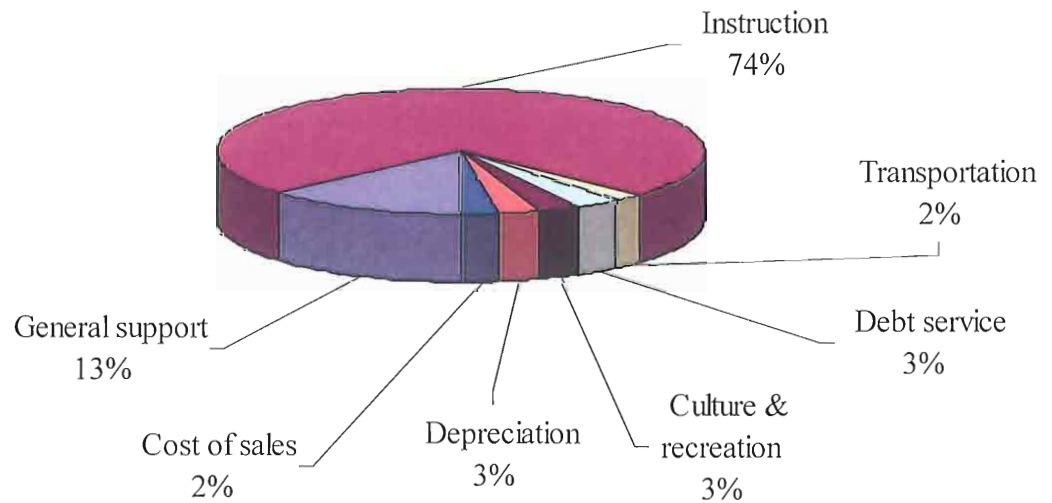


Figure A-6

Expenses for Fiscal Year 2005



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 2005

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2005	2004	2004-2005	2005	2004	2004-2005
General support	\$ 5,094	\$ 4,129	23.37%	\$ 4,814	\$ 3,685	30.64%
Instruction	28,363	27,164	4.41%	23,406	21,808	7.33%
Transportation	821	765	7.32%	283	240	17.92%
Debt service	1,178	852	38.26%	(1,891)	(1,487)	27.17%
Culture & recreation	1,045	1,009	3.57%	1,036	1,004	3.19%
Depreciation	1,091	470	132.13%	1,090	470	131.91%
Cost of sales	920	903	1.88%	(37)	67	-155.22%
Total	<u>\$ 38,512</u>	<u>\$ 35,292</u>	<u>9.12%</u>	<u>\$ 28,701</u>	<u>\$ 25,787</u>	<u>11.30%</u>

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 \$12,442,831. Of this amount, \$1,586,364 constitutes unreserved fund balance, of which \$555,000 has been designated for subsequent years' expenditures and represents the amount estimated for use in the 2005-2006 budget. The remainder of the fund balance, \$10,836,467, 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 \$2,740,692, a reserve for certiorari proceedings of \$254,105, a reserve for unemployment insurance of \$705,947, a reserve for employee benefit accrued liability of \$1,932,983, a reserve for flex spending of \$4,959, a capital projects reserve of \$747,174 and a reserve for debt service of \$4,450,607.

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 \$6,784,510, of which \$610,513 or 1.75% 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 \$1,007,473.

Figure A-8

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

	2005		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 33,760	\$ 32,752	\$ 6,785
Special Aid Fund	2,442	2,442	-
School Lunch Fund	969	920	313
School Library	1,084	1,044	325
Capital Fund	-	2,298	550
Debt Service Fund	3,451	3,438	4,451
	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
Public Library	1,010	1,019	285
Capital Fund	18,142	7,696	2,848
Debt Service Fund	2,891	2,142	4,438

General Fund Budgetary Highlights

The difference between the original budget and the amended budget was \$920,880. This change is attributable to additional encumbrances carried over from the 2003-2004 fiscal year for use in the 2004-2005 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.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005 the District had capital assets of \$37,649,132, 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
	2005	2004	2004-2005
Land	\$ 2,427	\$ 2,427	0.00%
Construction in progress	27,911	25,613	8.97%
Buildings	4,492	5,206	-13.71%
Equipment	2,819	3,198	-11.85%
Total	<u>\$ 37,649</u>	<u>\$ 36,444</u>	<u>3.31%</u>

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, 2005, the District had in general obligations and other long-term debt outstanding, as follows:

Figure A-10

<i>Outstanding Long-Term Debt</i> <i>(in thousands of dollars)</i>			
	Governmental Activities and Total District		Percentage Change
	2005	2004	2004-2005
General obligation bonds & notes (financed with property taxes)	\$ 33,505	\$ 35,765	-6.32%
Compensated absences	8,240	8,487	-2.91%
Total	\$ 41,745	\$ 44,252	-5.67%

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 2002 through March 2003), would be at least 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 2006 bill (billing period April 2004 through March 2005) will be approximately 10.7% of eligible payroll.

The New York State Teachers' Retirement Sysytem has also indicated the rate to be used to calculate the TRS expenditures for 2005-2006 fiscal year will be 8.03% for eligible salaries. This rate is 2.4% higher than the 2004-2005 rate of 5.63% 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.

The in May 2005, the voters of the Batavia City School District approved a \$14,365,800 capital project for additions and renovations to three district owned buildings.

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, 2005

ASSETS

Cash	\$ 8,786,483
Restricted cash	3,946,563
State and federal aid receivable	735,165
Taxes and accounts receivable	490,690
Other receivables	154,814
Due from other governments	671,199
Due from fiduciary funds	1,105,033
Inventory	22,604
Capital assets, net	<u>37,649,132</u>
 Total assets	 \$ <u>53,561,683</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 388,918
Accrued liabilities	501,865
Due to other governments	153,183
Deferred revenue	780,662
Retirement system liability	1,665,092
Long-term liabilities:	
Due and payable within one year:	
Serial bonds payable	2,320,000
Compensated absences	460,000
Due and payable after one year:	
Serial bonds payable	31,185,000
Compensated absences	<u>7,779,588</u>
 Total liabilities	 <u>45,234,308</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005
(Continued)

NET ASSETS:

Invested in capital assets, net of related debt	4,694,032
Restricted for:	
Debt service	4,175,390
Unrestricted (deficit)	<u>(542,047)</u>
 Total net assets	 <u>8,327,375</u>
 Total liabilities and net assets	 \$ <u><u>53,561,683</u></u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Expenses	Indirect Cost Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
Governmental activities:					
General support	\$ 4,480,996	\$ 612,904	\$ 120,541	\$ 159,316	\$ (4,814,043)
Instruction	23,211,343	5,151,573	46,104	4,911,197	(23,405,615)
Pupil transportation	812,410	8,802	-	538,533	(282,679)
Debt service	1,178,125	-	-	3,069,279	1,891,154
Culture and recreation	861,943	182,635	-	8,202	(1,036,376)
School lunch	820,494	99,963	431,286	526,164	36,993
Unallocated employee benefits	6,055,877	(6,055,877)	-	-	-
Unallocated depreciation	1,090,626	-	-	-	(1,090,626)
Total governmental activities	\$ 38,511,814	\$ -	\$ 597,931	\$ 9,212,691	(28,701,192)
General revenues:					
Property taxes					17,208,886
Non-property taxes					920,373
Interest earnings					464,763
State and federal aid not restricted for a specific purpose					12,187,505
Other miscellaneous revenues					442,891
Total general revenues and transfers					31,224,418
Change in net assets					2,523,226
Net assets - beginning of year					5,804,149
Net assets - end of year					\$ 8,327,375

See notes to basic financial statements.
A3

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash	\$ 6,544,368	\$ -	\$ 2,242,115	\$ 8,786,483
Restricted cash	3,645,168	301,395	-	3,946,563
Taxes receivable	490,690	-	-	490,690
State and federal aid receivable	391,487	-	343,678	735,165
Other receivables	139,178	-	15,636	154,814
Due from other governments	671,199	-	-	671,199
Due from other funds	4,046,539	6,112,329	857,404	11,016,272
Inventory	-	-	22,604	22,604
Total assets	\$ 15,928,629	\$ 6,413,724	\$ 3,481,437	\$ 25,823,790
LIABILITIES AND FUND EQUITY:				
Accounts payable	\$ -	\$ -	\$ 388,918	\$ 388,918
Accrued liabilities	493,231	222	8,412	501,865
Due to other funds	6,100,498	1,962,895	1,847,846	9,911,239
Due to other governments	152,210	-	973	153,183
Due to retirement systems	1,665,092	-	-	1,665,092
Deferred revenue	733,088	-	47,574	780,662
Total liabilities	9,144,119	1,963,117	2,293,723	13,400,959

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005
(Continued)

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:				
Reserved:				
Reserved for encumbrances	2,028,829	-	711,863	2,740,692
Reserved for certiorari proceedings	254,105	-	-	254,105
Reserved for unemployment insurance	705,947	-	-	705,947
Reserved for employee benefit accrued liability	1,932,983	-	-	1,932,983
Reserved for flex spending	4,959	-	-	4,959
Capital reserves	747,174	-	-	747,174
Reserved for debt service	-	4,450,607	-	4,450,607
Unreserved:				
General fund	610,513	-	-	610,513
Special revenue fund	-	-	454,099	454,099
Capital fund	-	-	(33,248)	(33,248)
Designated for subsequent year's expenditures	500,000	-	55,000	555,000
Total fund equity	6,784,510	4,450,607	1,187,714	12,422,831
Total liabilities and fund equity	\$ 15,928,629	\$ 6,413,724	\$ 3,481,437	\$ 25,823,790

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Real property taxes	\$ 16,245,557	\$ -	\$ 963,329	\$ 17,208,886
Nonproperty taxes	920,373	-	-	920,373
Charges for services	126,168	-	40,477	166,645
Use of money and property	367,473	66,939	17,706	452,118
Sale of property and compensation for loss	13,970	-	-	13,970
Miscellaneous local sources	326,863	-	61,411	388,274
Interfund revenues	55,535	-	-	55,535
State sources	15,088,416	3,069,279	404,934	18,562,629
Federal sources	274,421	-	2,558,109	2,832,530
Sales	-	-	431,286	431,286
Gifts and donations	-	-	5,037	5,037
Total revenue	33,418,776	3,136,218	4,482,289	41,037,283
EXPENDITURES:				
General government support	4,456,158	-	24,838	4,480,996
Instruction	20,956,028	-	2,255,315	23,211,343
Pupil transportation	796,097	-	16,313	812,410
Culture and recreation	-	-	861,943	861,943
Employee benefits	5,874,534	-	428,295	6,302,829
Debt service	-	3,438,125	-	3,438,125
Capital outlay	-	-	2,297,940	2,297,940
Cost of sales	-	-	820,494	820,494
Total expenditures	32,082,817	3,438,125	6,705,138	42,226,080

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Excess (deficit) revenue over expenditures	1,335,959	(301,907)	(2,222,849)	(1,188,797)
OTHER FINANCING SOURCES (USES):				
Transfer to reserves	(341,263)	-	-	(341,263)
Funding of reserves	341,263	-	-	341,263
Interfund transfers out	(328,486)	-	-	(328,486)
Interfund transfers in	-	315,000	13,486	328,486
Total other financing sources (uses)	(328,486)	315,000	13,486	-
Excess (deficit) revenue over expenditures and other financing sources (uses)	1,007,473	13,093	(2,209,363)	(1,188,797)
Fund equity - beginning of year	5,777,037	4,437,514	3,397,077	13,611,628
Fund equity - end of year	\$ 6,784,510	\$ 4,450,607	\$ 1,187,714	\$ 12,422,831

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2005

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ -	\$ 1,105,117
Restricted cash	260,357	117,257
Restricted investments	320,450	-
Due from other funds	<u>-</u>	<u>16,014</u>
Total assets	\$ <u>580,807</u>	\$ <u>1,238,388</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Agency liabilities	\$ -	\$ 84
Extraclassroom activity balances	-	117,257
Due to other funds	<u>-</u>	<u>1,121,047</u>
Total liabilities	-	1,238,388
NET ASSETS:		
Reserved for scholarships	<u>580,807</u>	<u>-</u>
Total liabilities and net assets	\$ <u>580,807</u>	\$ <u>1,238,388</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Private Purpose Trusts
	<hr/>
REVENUE:	
Interest	\$ 684
Gifts and donations	<hr/> 25,510
Total revenue	26,194
EXPENSES:	
Scholarships	<hr/> 24,506
Excess revenue over expenses	1,688
OTHER FINANCING SOURCES:	
Unrealized gains on investments	<hr/> 63,686
Excess revenue over expenses and other sources	65,374
Net assets - beginning of year	<hr/> 515,433
Net assets - end of year	\$ <hr/> <hr/> 580,807

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
ASSETS:				
Cash	\$ 8,786,483	\$ -	\$ -	\$ 8,786,483
Restricted cash	3,946,563	-	-	3,946,563
Taxes and accounts receivable	490,690	-	-	490,690
State and federal aid receivable	735,165	-	-	735,165
Other receivables	154,814	-	-	154,814
Due from other governments	671,199	-	-	671,199
Due from other funds	11,016,272	-	(9,911,239)	1,105,033
Inventory	22,604	-	-	22,604
Capital assets, net	-	37,649,132	(1)	37,649,132
Total assets	\$ 25,823,790	\$ 37,649,132	\$ (9,911,239)	\$ 53,561,683

LIABILITIES AND NET ASSETS:				
LIABILITIES:				
Accounts payable	\$ 388,918	\$ -	\$ -	\$ 388,918
Accrued liabilities	501,865	-	-	501,865
Serial bonds payable	-	33,505,000	(2)	33,505,000
Bond anticipation notes payable	-	-	-	-
Due to other funds	9,911,239	-	(9,911,239)	-
Due to other governments	153,183	-	-	153,183
Due to retirement systems	1,665,092	-	-	1,665,092
Deferred revenue	780,662	-	-	780,662
Compensated absences	-	8,239,588	(2)	8,239,588
Total liabilities	13,400,959	41,744,588	(9,911,239)	45,234,308

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005
(Continued)

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
NET ASSETS:				
Total fund equity/net assets	12,422,831	(4,095,456)	-	8,327,375
Total liabilities and equity	\$ 25,823,790	\$ 37,649,132	\$ (9,911,239)	\$ 53,561,683

- (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, 2005

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUE:				
Real property taxes	\$ 17,208,886	\$ -	-	\$ 17,208,886
Nonproperty taxes	920,373	-	-	920,373
Charges for services	166,645	-	-	166,645
Use of money and property	452,118	-	-	452,118
Sale of property and compensation for loss	13,970	(2,243)	(5)	11,727
Miscellaneous local sources	388,274	-	-	388,274
Interfund revenue	55,535	-	-	55,535
State sources	18,562,629	-	-	18,562,629
Federal sources	2,832,530	-	-	2,832,530
Sales	431,286	-	-	431,286
Gifts and donations	5,037	-	-	5,037
Total revenue	41,037,283	(2,243)	-	41,035,040
EXPENDITURES:				
General government support	4,480,996	-	-	4,480,996
Instruction	23,211,343	-	-	23,211,343
Pupil transportation	812,410	-	-	812,410
Culture and recreation	861,943	-	-	861,943
Employee benefits	6,302,829	(246,952)	(2)	6,055,877
Debt service	3,438,125	-	(2,260,000)	1,178,125
Capital outlay	2,297,940	(2,297,940)	(1)	-
Depreciation	-	1,090,626	(1)	1,090,626
Cost of sales	820,494	-	-	820,494
Total expenditures	42,226,080	(1,454,266)	(2,260,000)	38,511,814

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, 2005

(Continued)

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Excess (deficit) revenue over expenditures	(1,188,797)	1,452,023	2,260,000	2,523,226
OTHER FINANCING SOURCES (USES):				
Transfer to reserves	(341,263)		(341,263)	(4)
Funding of reserves	341,263	-	341,263	(4)
Interfund transfers out	(328,486)	-	328,486	(4)
Interfund transfers in	328,486	-	(328,486)	(4)

Excess (deficit) revenue over expenditures and other financing sources (uses)	\$ (1,188,797)	\$ 1,452,023	\$ 2,260,000	\$ 2,523,226
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- (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.
- (5) In the district-wide Statement of Activities, the loss on the disposal of assets is recognized as a decrease to revenue, the capital asset, and accumulated depreciation.

See notes to basic financial statements.

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, 2005, the District was billed \$3,281,607 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.

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, 2005 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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2005 that is required to be presented on the Statement of Revenue and Expenditures-Budget to Actual, and therefore, is the only fund presented.

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, 2005.

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 inventoriable 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. COMPENSATED ABSENCES

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

The District has accrued a liability for compensated absences which has been calculated at rates in effect as of the balance sheet date. A portion of 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, 2005 for compensated absences and the value of sick leave converted to pay employees' post-employment health insurance premiums was \$10,172,571. Of this amount, \$1,932,983 is fully funded and included in net assets, \$460,000 is reported as a current liability and \$7,779,588 is reported as a long-term liability.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Benefit 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$500,000 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

Deposits

The financial institution (bank) balances at June 30, 2005, according to the bank amounted to \$15,584,338. These deposits are valued at cost plus interest and are categorized as follows:

1. Insured by Federal Deposit Insurance - \$100,000.
2. Collateralized with securities held by a third party under a collateral agreement with the District's financial institution in the District's name - \$15,484,338.

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, 2005</u>
54 Shares American Telephone and Telegraph, Inc.	\$ 2,820	\$ 1,561
319 Shares Verizon	5,498	22,043
630 Shares SBC Communications	5,437	29,925
3,527 Shares Putnam Investors Fund, Inc.	27,852	44,938
2,386 Shares JP Morgan Chase	24,319	126,410
352 Shares Lucent Technologies, Inc.	1,141	1,024
93 Agere Systems	-	115
3,210 Shares Eastman Kodak	200,000	86,189
72 Shares Bank of America	5,452	6,568

For the year ended June 30, 2005, the District recognized an unrealized gain of \$63,686.

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, 2005 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 4,046,539	\$ 6,100,498	\$ -	\$ 328,486
Special Aid Fund	119,894	1,050,147	13,486	-
Capital Projects Fund	697,935	451,306	-	-
Debt Service Fund	6,112,329	1,962,895	315,000	-
Public Library Fund	16,764	219,754	-	-
School Lunch Fund	22,811	126,639		
Trust and Agency Fund	16,014	1,121,047	-	-
Total	<u>\$11,032,286</u>	<u>\$11,032,286</u>	<u>\$ 328,486</u>	<u>\$ 328,486</u>

Interfund receivable and payables, other than between governmental activities and fiduciary funds are eliminated on the Statement of Net Assets.

3. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,427,349	\$ -	\$ -	\$ 2,427,349
Construction in progress	25,613,310	2,297,940	-	27,911,250
Total nondepreciable historical cost	<u>28,040,659</u>	<u>2,297,940</u>	<u>-</u>	<u>30,338,599</u>
Capital assets that are depreciated:				
Buildings	26,281,768	-	22,433	26,259,335
Furniture and equipment	7,191,176	-	-	7,191,176
Total depreciable historical cost	<u>33,472,944</u>	<u>-</u>	<u>22,433</u>	<u>33,450,511</u>
Less accumulated depreciation:				
Buildings	21,075,713	711,383	20,190	21,766,906
Furniture and equipment	3,993,829	379,243	-	4,373,072
Total accumulated depreciation	<u>25,069,542</u>	<u>1,090,626</u>	<u>20,190</u>	<u>26,139,978</u>
Total depreciable historical cost, net	<u>\$36,444,061</u>	<u>\$ 1,207,314</u>	<u>\$ 2,243</u>	<u>\$37,649,132</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, 110 State Street, 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>
2005	\$490,457	\$521,635
2004	200,802	366,649
2003	55,201	54,320

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

2. INDEBTEDNESS

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	\$35,765,000	\$ -	\$ 2,260,000	\$33,505,000	\$ 2,320,000
Compensated absences	<u>8,486,540</u>	<u>1,334,103</u>	<u>1,581,055</u>	<u>8,239,588</u>	<u>460,000</u>
Total long-term Liabilities	<u>\$44,251,540</u>	<u>\$ 1,334,103</u>	<u>\$ 3,841,055</u>	<u>\$41,744,588</u>	<u>\$ 2,780,000</u>

Interest on long-term debt amounted to \$1,178,125 for the year ended June 30, 2005.

The following is a summary of maturity of indebtedness outstanding at June 30, 2005:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2005</u>
Serial Bonds Payable	5/15/03	5/15/18	Variable	\$ 9,390,000
	12/14/02	6/15/14	Variable	7,115,000
	3/15/04	3/15/19	Variable	17,000,000
Total				<u>\$33,505,000</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, 2005:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,320,000	\$ 1,120,625
2007	2,385,000	1,059,662
2008	2,455,000	992,039
2009	2,515,000	918,837
2010	2,540,000	840,162
2011-2015	13,005,000	2,889,287
2016-2019	<u>8,285,000</u>	<u>760,888</u>
Total	<u>\$33,505,000</u>	<u>\$ 8,581,500</u>

In addition to the debt shown above, the following long-term debt has been authorized but remains unissued at June 30, 2005:

School District	\$13,595,300
Library	<u>770,500</u>
	<u>\$14,365,800</u>

NOTE 3 - COMMITMENTS AND CONTINGENCIES

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.

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2005 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

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:

	Balance <u>June 30, 2004</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2005</u>
Tax Certiorari Proceedings	\$ 248,980	\$ 5,125	\$ -	\$ 254,105
Unemployment Insurance	714,548	14,709	23,310	705,947
Employee Benefit Accrued Liability	1,559,617	373,366	-	1,932,983
Capital Reserve	732,104	15,070	-	747,174
Flex Spending`	<u>4,959</u>	<u>-</u>	<u>-</u>	<u>4,959</u>
	<u>\$ 3,260,208</u>	<u>\$ 408,270</u>	<u>\$ 23,310</u>	<u>\$3,645,168</u>

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUE:				
Local sources:				
Real property taxes	\$ 16,584,815	\$ 16,584,815	\$ 16,245,557	\$ (339,258)
Nonproperty tax items	800,000	800,000	920,373	120,373
Charges for services	54,000	54,000	126,168	72,168
Use of money and property	287,100	287,100	367,473	80,373
Sale of property and compensation for loss	1,500	1,500	13,970	12,470
Miscellaneous	235,000	235,000	326,863	91,863
Interfund revenues	-	-	55,535	55,535
State sources:				
Basic formula	13,540,223	13,540,223	13,406,679	(133,544)
BOCES	1,476,870	1,476,870	1,481,330	4,460
All other state aid	158,270	158,270	200,407	42,137
Federal sources	<u>210,000</u>	<u>210,000</u>	<u>274,421</u>	<u>64,421</u>
Total revenue	33,347,778	33,347,778	33,418,776	70,998
Other sources:				
Funding of reserves	-	-	341,263	(341,263)
Appropriated fund balance	<u>1,875,880</u>	<u>1,875,880</u>	<u>-</u>	<u>1,875,880</u>
Total revenue and other sources	<u>\$ 35,223,658</u>	<u>\$ 35,223,658</u>	<u>\$ 33,760,039</u>	<u>\$ 2,288,141</u>

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES:					
General support:					
Board of education	\$ 9,050	\$ 10,515	\$ 9,084	\$ 1,423	\$ 8
Central administration	206,634	210,002	209,993	-	9
Finance	535,861	530,918	497,968	30,090	2,860
Staff	181,752	206,206	205,023	1,174	9
Central services	3,020,190	3,519,976	3,134,150	385,724	102
Special items	709,496	399,940	399,940	-	-
Instruction:					
Instruction, administration, and improvements	1,297,406	1,230,591	1,228,831	1,248	512
Teaching - regular school	12,971,144	13,100,831	12,826,752	268,576	5,503
Programs for children with handicaps	4,278,022	3,560,631	3,008,214	101,073	451,344
Occupational education	613,883	465,683	465,683	-	-
Instructional media	1,926,211	2,441,705	1,825,366	615,381	958
Pupil services	1,854,715	1,640,164	1,601,182	34,852	4,130
Pupil transportation	785,562	799,030	796,097	2,888	45
Employee benefits	6,492,732	6,778,980	5,874,534	586,400	318,046
Debt service - principal	1,000	-	-	-	-
Total expenditures	34,883,658	34,895,172	32,082,817	2,028,829	783,526
Other uses:					
Transfer to reserves	-	-	341,263	-	(341,263)
Interfund transfers	340,000	328,486	328,486	-	-
Total expenditures and other uses	\$ 35,223,658	\$ 35,223,658	\$ 32,752,566	\$ 2,028,829	\$ 442,263
Excess revenue over expenditures and other uses			\$ 1,007,473		

See notes to basic financial statements.
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SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2005

	Public Library	School Lunch	Special Aid	Capital	Total
ASSETS:					
Cash	\$ 544,333	\$ 361,726	\$ 643,887	\$ 692,169	\$ 2,242,115
Accounts receivable	-	3,091	12,545	-	15,636
Due from other funds	16,764	22,811	119,894	697,935	857,404
State and federal aid receivable	-	31,032	312,646	-	343,678
Inventory	-	22,604	-	-	22,604
Total assets	\$ 561,097	\$ 441,264	\$ 1,088,972	\$ 1,390,104	\$ 3,481,437
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts payable	\$ -	\$ -	20	\$ 388,898	\$ 388,918
Accrued liabilities	7,804	608	-	-	8,412
Due to other governments	-	973	-	-	973
Due to other funds	219,754	126,639	1,050,147	451,306	1,847,846
Deferred revenue	8,769	-	38,805	-	47,574
Total liabilities	236,327	128,220	1,088,972	840,204	2,293,723
Fund equity:					
Reserved for encumbrances	9,018	-	119,697	583,148	711,863
Designated for subsequent year's expenditures	55,000	-	-	-	55,000
Undesignated (deficit)	260,752	313,044	(119,697)	(33,248)	420,851
Total fund balance	324,770	313,044	-	549,900	1,187,714
Total liabilities and fund equity	\$ 561,097	\$ 441,264	\$ 1,088,972	\$ 1,390,104	\$ 3,481,437

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Public Library	School Lunch	Special Aid	Capital	Total
REVENUE:					
Real property taxes	\$ 963,329	\$ -	\$ -	\$ -	963,329
Charges for services	40,477	-	-	-	40,477
Use of money and property	13,513	4,193	-	-	17,706
Miscellaneous	53,545	7,866	-	-	61,411
State sources	8,202	34,132	362,600	-	404,934
Federal sources	-	492,032	2,066,077	-	2,558,109
Gifts and donations	5,037	-	-	-	5,037
Sales	-	431,286	-	-	431,286
Total revenue	1,084,103	969,509	2,428,677	-	4,482,289
EXPENDITURES:					
General support	-	-	24,838	-	24,838
Instruction	-	-	2,255,315	-	2,255,315
Pupil transportation	-	-	16,313	-	16,313
Culture and recreation	861,943	-	-	-	861,943
Employee benefits	182,635	99,963	145,697	-	428,295
Capital outlay	-	-	-	2,297,940	2,297,940
Cost of sales	-	820,494	-	-	820,494
Total expenditures	1,044,578	920,457	2,442,163	2,297,940	6,705,138

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Public Library	School Lunch	Special Aid	Capital	Total
Excess (deficit) revenue over expenditures	39,525	49,052	(13,486)	(2,297,940)	(2,222,849)
OTHER FINANCING SOURCES:					
Interfund transfers in	-	-	13,486	-	13,486
Total other financing sources	-	-	13,486	-	13,486
Excess (deficit) revenue over expenditures and other financing sources	39,525	49,052	-	(2,297,940)	(2,209,363)
Fund equity - beginning of year	285,245	263,992	-	2,847,840	3,397,077
Fund equity - end of year	\$ 324,770	\$ 313,044	\$ -	\$ 549,900	\$ 1,187,714

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
GENERAL FUND
ANALYSIS OF CHANGE FROM ORIGINAL BUDGET
TO REVISED BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

Original Budget	\$34,302,778
Additions:	
Encumbrances	<u>920,880</u>
Revised Budget	<u>\$35,223,658</u>

BATAVIA CITY SCHOOL DISTRICT
GENERAL FUND
ANALYSIS OF USE OF BEGINNING FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

A909 Fund balance as of beginning of year (unreserved)	\$ 1,595,949
Less:	
A599 Appropriated fund balance used for levy of taxes	<u>955,000</u>
Fund balance (undesignated)	<u>\$ 640,949</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
JUNE 30, 2005

Project Title	Original Appropriations	Revised Appropriations	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance 6/30/05
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
John Kennedy School - Renovation	\$ 10,100,077	\$ 10,100,077	\$ 9,991,411	\$ 108,666	\$ 10,100,077	\$ -	\$ 10,000,000	\$ -	\$ 100,077	\$ 10,100,077	\$ -
Administration Building HVAC and Electrical Work	502,285	502,285	46,770	455,515	502,285	-	500,000	-	2,285	502,285	-
High School - Renovation	18,994,385	18,064,543	15,780,884	1,733,759	17,514,643	549,900	17,950,000	-	114,543	18,064,543	549,900
Total	\$ 29,596,747	\$ 28,666,905	\$ 25,819,065	\$ 2,297,940	\$ 28,117,005	\$ 549,900	\$ 28,450,000	\$ -	\$ 216,905	\$ 28,666,905	\$ 549,900

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2005

	<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	\$11,997,810	\$11,997,810
Non Property Taxes	AT-1199	920,373	920,373
State Aid	AT-3999	15,088,416	15,088,416
Federal Aid	AT-4999	274,421	274,421
Total Revenue	AT-5999	33,760,039	33,760,039
EXPENDITURES:			
General Support	AT-1999	\$ 4,456,158	\$ 4,456,158
Pupil Transportation	AT-5599	796,097	796,097
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	32,752,566	32,752,566

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2005

Capital assets, net	\$37,649,132
Deduct:	
Short-term portion of bonds payable	(2,320,000)
Long-term portion of bonds payable	(31,185,000)
Add:	
Unexpended debt proceeds	<u>549,900</u>
Investment in capital assets, net of related debt	\$ <u><u>4,694,032</u></u>

See notes to basic financial statements.

SECTION C

FEDERAL FINANCIAL ASSISTANCE



**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, 2005 and have issued an unqualified opinion in our report thereon dated August 2, 2005. 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 2, 2005

A handwritten signature in black ink that reads "Fred Maxick & Battaglia CPAs PC".

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture		
Direct Programs		
None		
Passed through New York State Bureau of School Food Management		
Food Distribution	10.550	\$ 53,263
National School Lunch Program	10.555	344,894
National School Breakfast Program	10.553	93,875
Total U.S. Department of Agriculture		<u>492,032</u>
U.S. Department of Education		
Direct Programs		
None		
Passed through the State Education Department of the State of New York		
Educationally Deprived Children -		
Local Education Agencies – 2004-2005*	84.010	700,121
2003-2004*	84.010	191,317
Migrant Education		
2003-2004	84.011	149,378
Local Educational Agencies		
Title VI of ESEA 2004-2005	84.298	10,639
Title VI of ESEA 2003-2004	84.298	159
Education of the Handicapped (Section 611)		
2004-2005	84.027	510,362
Discretionary Grant (2004-2005)	84.027	35,981
2003-2004	84.027	49,816
ESEA Title II-2004-2005	84.281	136,649
2003-2004	84.281	37,378
Drug-Free Schools and Communities		
2004-2005	84.186	19,763
2003-2004	84.186	4,882
Handicapped-State Grants - Part B,		
Education of the Handicapped (PL99-457)		
2004-2005	84.173	33,345
2003-2004	84.173	16,333
Title VI – Class Size Reduction		
2004-2005	84.340	149,454
Committee on Preschool Education		
Part B, Education of the		
Handicapped – 2004-2005 CPSE	84.173	20,500
Total U.S. Department of Education		<u>2,066,077</u>
Total Expenditures of Federal Awards		\$ <u>2,558,109</u>

*Denotes Major Program

See notes to Schedule of Expenditures of Federal Awards.

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 25% 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, 2005, the School District received \$53,263 worth of commodities under the Surplus Food Distribution Program (CFDA 10.550).

SECTION D

INTERNAL CONTROL AND COMPLIANCE



**Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters 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, 2005, and have issued an unqualified opinion in our report thereon dated August 2, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Batavia City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standard* which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

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

Batavia, New York
August 2, 2005

Fred Maxick & Battaglia CPAs PC



**Report on Compliance with Requirements Applicable to
Each Major Program and on 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, 2005. 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, 2005.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Batavia, New York
August 2, 2005

Fred Maxick & Battaglia CPAs PC

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

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. No reportable conditions relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two 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. No reportable conditions relating to the audit of the major Federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
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 program tested as a major program was the Title I Program (CFDA – 84.010).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Batavia City School District qualified as a low-risk auditee.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Findings - Financial Statement Audit

05-1. Funding of Reserves

During our audit, we noted that the District had made an unbudgeted transfer of \$341,263 to the reserve for accrued employee benefit liabilities. Education Law requires that all transfers be properly authorized by the Board of Education and the voters.

05-2. Commingling of Funds

In accordance with the Uniform System of Accounts, the District must, at a minimum, maintain separate bank accounts for the Capital, Special Aid, and School Lunch funds. Currently, the District maintains a single checking and savings account for all funds except the Trust and Agency fund.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

<u>FINDING</u>	<u>STATUS</u>
04-1 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.	No re-occurrence of this finding in the current year.

SECTION E
EXTRACLASSROOM ACTIVITY



**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, 2005. 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, 2005, 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 2, 2005

Fred Maxick & Battaglia CPAs PC

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance <u>July 1, 2004</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2005</u>
Class of 2005	\$ 5,421	\$ 12,717	\$ 18,045	\$ 93
Class of 2006	4,450	6,982	4,689	6,743
Class of 2007	1,045	4,247	2,625	2,667
Class of 2008	-	3,030	1,223	1,807
Batavian	4,324	21,735	20,550	5,509
BHS Student Government	8,349	6,161	8,057	6,453
BHS Ski Club	1,986	14,209	14,897	1,298
Sales Lab	1,780	3,473	4,660	593
Baseball Fund	314	-	-	314
BHS Literary	1,613	850	2,367	96
BHS Band	4,450	6,503	10,116	837
BHS Library	116	253	50	319
BHS Chorus	7,888	1,545	1,027	8,406
BHS Assembly	1,335	2,253	2,692	896
BHS Gymnastics	120	-	-	120
A.P. Fund	2,180	10,461	11,777	864
National Honor Society	176	3,904	3,456	624
BHS Language Club	216	-	53	163
SADD	677	2,966	2,915	728
Project Graduation	191	2,445	2,090	546
BHS Pages	176	203	134	245
Boys Basketball Club	53	-	-	53
BHS Technology	-	985	700	285
BHS Tennis	21	343	211	153
Tri-M	-	160	100	60
BMS Band	5,345	4,924	9,554	715
BMS Chorus	518	-	-	518
BMS Yearbook	2,555	8,888	9,028	2,415
BMS Bowling	17	17	34	-
BMS Orchestra	<u>4,528</u>	<u>26,784</u>	<u>27,958</u>	<u>3,354</u>
Subtotal	\$ 59,844	\$ 146,038	\$ 159,008	\$ 46,874

See note to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

	Balance <u>July 1, 2004</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2005</u>
Character Education	78	210	260	28
BMS Tech. Club	1,559	-	-	1,559
BMS Assembly	5,012	3,250	2,416	5,846
BMS Student Council	2,309	10,329	9,259	3,379
BMS Honor Society	1,410	-	82	1,328
BMS AHEAD	2,691	54	578	2,167
7th Grade - Team I	4,460	5,214	5,706	3,968
7th Grade - Team II	2,125	3,484	3,538	2,071
8th Grade - Team I & II	1,579	5,356	5,578	1,357
Wall-to-Wall	997	195	173	1,019
BMS Book Fair	454	2,072	1,812	714
R. Morris Media	1,144	-	-	1,144
R. Morris Student Council	688	1,333	1,624	397
J. Kennedy Media	2	-	-	2
J. Kennedy Council	1,519	-	-	1,519
J. K. Home School Association	-	44,248	32,014	12,234
Girls Basketball	34	-	-	34
Books Across America	138	-	-	138
BMS Chess Club	78	25	-	103
Varsity Club	282	1,024	824	482
BHS Scholastic Bowl	567	250	178	639
BHS Drama Club	33	-	-	33
BMS Literacy Magazine	116	20	-	136
High School Production	3,610	6,086	3,492	6,204
INK	56	-	-	56
Girls Volleyball	162	5,265	5,308	119
Girls Softball	8	50	-	58
Sports Medicine	66	-	-	66
J.V. Football Cheerleaders	20	-	-	20
Jackson Library	1	11	-	12
Subtotal	\$ 31,198	\$ 88,476	\$ 72,842	\$ 46,832

See note to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

	<u>Balance</u> <u>July 1, 2004</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2005</u>
Jackson Student Council	-	15,211	8,655	6,556
BMS 6th South	179	6,796	5,819	1,156
BMS 6th North	1,090	3,395	4,136	349
BMS Ski Club	805	22,624	21,693	1,736
Art Club	53	-	-	53
Model UN	140	1,299	1,375	64
BHS Drama	938	1,670	988	1,620
RM School Store	111	514	426	199
FORM	-	58,894	47,622	11,272
Interest Checking	<u>213</u>	<u>3,049</u>	<u>2,716</u>	<u>546</u>
Subtotal	3,529	113,452	93,430	23,551
Subtotal (E3)	59,844	146,038	159,008	46,874
Subtotal (E4)	<u>31,198</u>	<u>88,476</u>	<u>72,842</u>	<u>46,832</u>
Total	\$ <u>94,571</u>	\$ <u>347,966</u>	\$ <u>325,280</u>	\$ <u>117,257</u>

See note to financial statement.

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, 2005.

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, 2005

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, 2005
(Continued)

CASH DISBURSEMENTS

Based on our tests of the extraclassroom cash disbursements, we noted that two checks were issued by the Central Treasurer without the student's signature present on the disbursement orders.

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.

RECONCILIATION OF STUDENT LEDGERS

During our audit of the Extraclassroom Activity Fund, we noted instances where the student ledgers had not been reconciled to the Central Treasurer's ledger. We recommend that the student treasurer meet with the Central Treasurer to reconcile their ledgers at least semi-annually.

BATAVIA CITY SCHOOL DISTRICT
EXTRAClassroom Activity Funds
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005
(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.