

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2006**

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS

PAGE

SECTION A
FINANCIAL SECTION

Independent Auditor's Report	
Management Discussion and Analysis	1-13
Basic Financial Statements:	
Statement of Net Assets	A1
Statement of Activities	A2
Balance Sheet - Governmental Funds	A3-A4
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	A5-A6
Statement of Net Assets - Fiduciary Funds	A7
Statement of Changes in Net Assets - Fiduciary Fund	A8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	A9-A10
Reconciliation of Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	A11-A12
Notes to Basic Financial Statements	A13-A28
Budgetary Comparison Schedule for the General Fund	A29-A30

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS
(Continued)

PAGE

SECTION B
SUPPLEMENTAL SCHEDULES

Combining Balance Sheet - Other Governmental Funds	B1
Combining Statement of Revenue, Expenditures and Changes in Fund Balance - Other Governmental Funds	B2-B3
Analysis of Change from Original Budget to Revised Budget - General Fund	B4
Analysis of Use of Beginning Fund Balance - General Fund	B4
Schedule of Project Expenditures - Capital Projects Fund	B5
Schedule of Certain Revenue and Expenditures Compared to ST-3 Data	B6
Investment in Capital Assets, Net of Related Debt	B7

SECTION C
SUPPLEMENTARY INFORMATION -
FEDERAL FINANCIAL ASSISTANCE

Schedule of Expenditures of Federal Awards	C1
Notes to Schedule of Expenditures of Federal Awards	C2-C3

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS
(Continued)

PAGE

SECTION D
INTERNAL CONTROL AND COMPLIANCE

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

SECTION E
EXTRACLASSROOM ACTIVITY

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

SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate fund information of Batavia City School District as of June 30, 2006 and the respective changes in financial position 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 31, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 A29 through A30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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 District's basic financial statements. The combining and individual non-major fund financial statements and other schedules, 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.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
August 31, 2006



Management Discussion and Analysis

Batavia City School District

Fiscal Year ended June 30, 2006

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, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2006 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 \$724,034, and this amount was within the statutory limit.
- General revenues which include Federal and State Aid and Real Property Taxes accounted for \$36,079,174 or 84.8% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Operating Contributions accounted for \$6,453,770 or 15.2% of total revenues.
- The District continued to fund its retiree health insurance liability for current employees and has a total of \$2,338,047 set aside in a reserve.
- The District had expenditures of \$1,172,688 in six 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

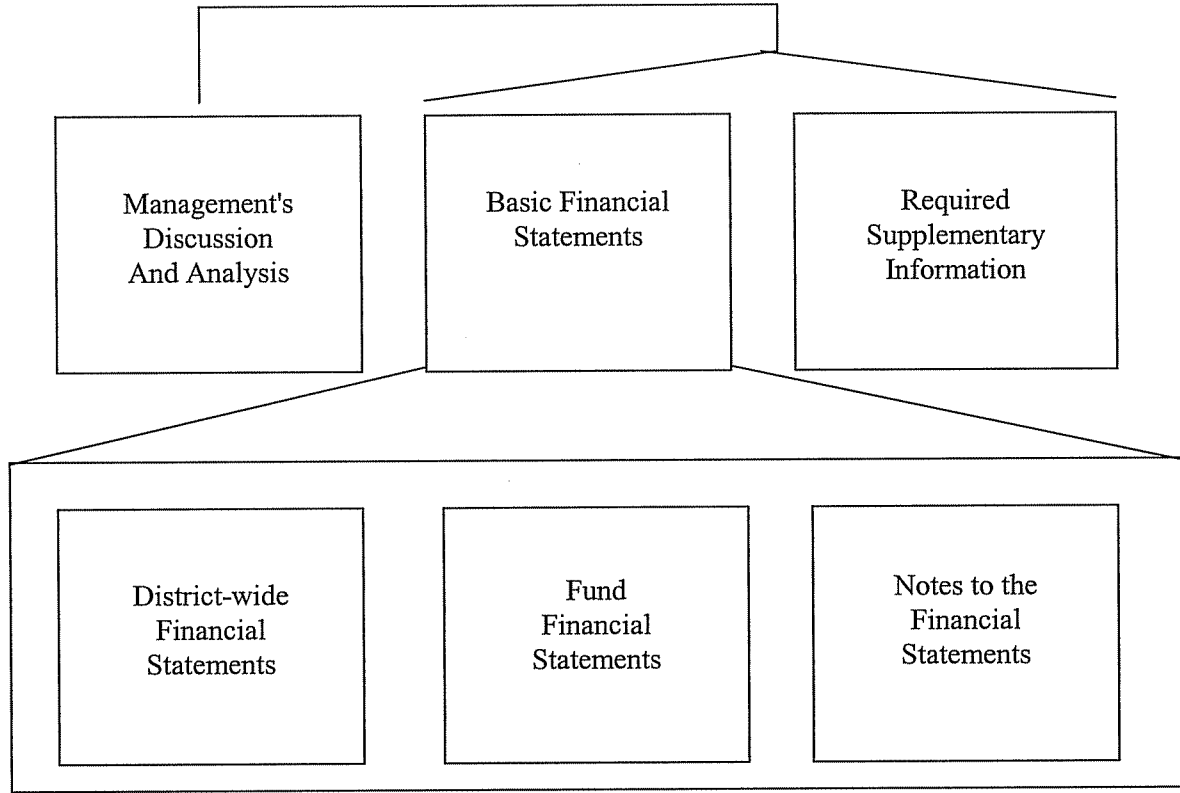


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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/out-flow 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 \$4,450,607 constitute 8.4% of total assets.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2006	2005	2005-2006
Current and other assets	\$ 14,867	\$ 15,913	-6.57%
Capital assets, net	38,311	37,649	1.76%
Total assets	<u>\$ 53,178</u>	<u>\$ 53,562</u>	<u>-0.72%</u>
Long-term liabilities	\$ 38,771	\$ 41,745	-7.12%
Other liabilities	2,925	3,490	-16.19%
Total liabilities	41,696	45,235	-7.82%
Invested in capital assets net of related debt	7,126	4,694	51.81%
Restricted	4,450	4,175	6.59%
Undesignated	(94)	(542)	-82.66%
Total net assets	<u>\$ 11,482</u>	<u>\$ 8,327</u>	<u>37.89%</u>
Total liabilities and and net assets	<u>\$ 53,178</u>	<u>\$ 53,562</u>	<u>-0.72%</u>

Figure A-4

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

	Governmental Activities and Total District		Total Percentage Change
	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Revenue			
Property and non-property taxes	\$ 19,360	\$ 18,129	6.79%
Charges for services	101	167	-39.52%
Use of money and property	724	452	60.18%
Interfund revenue	-	56	
Miscellaneous	559	405	38.02%
State and federal aid	21,356	21,395	-0.18%
Sales	<u>433</u>	<u>431</u>	<u>0.46%</u>
Total revenue	42,533	41,035	3.65%
Expenses			
General support	4,996	5,094	-1.92%
Instruction	29,512	28,363	4.05%
Transportation	889	821	8.28%
Debt service	1,121	1,178	-4.84%
Culture and recreation	1,125	1,045	7.66%
Depreciation	727	1,091	-33.36%
Cost of sales	<u>1,008</u>	<u>920</u>	<u>9.57%</u>
Total expenses	<u>39,378</u>	<u>38,512</u>	<u>2.25%</u>
Net increase in net assets	<u>\$ 3,155</u>	<u>\$ 2,523</u>	<u>25.05%</u>

Figure A-5

Sources of Revenues for Fiscal Year 2006

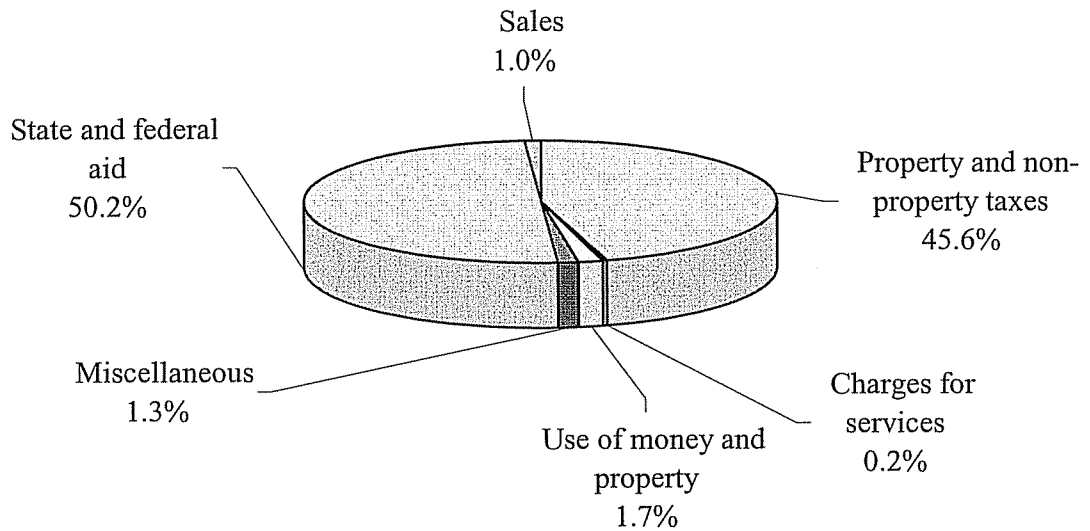
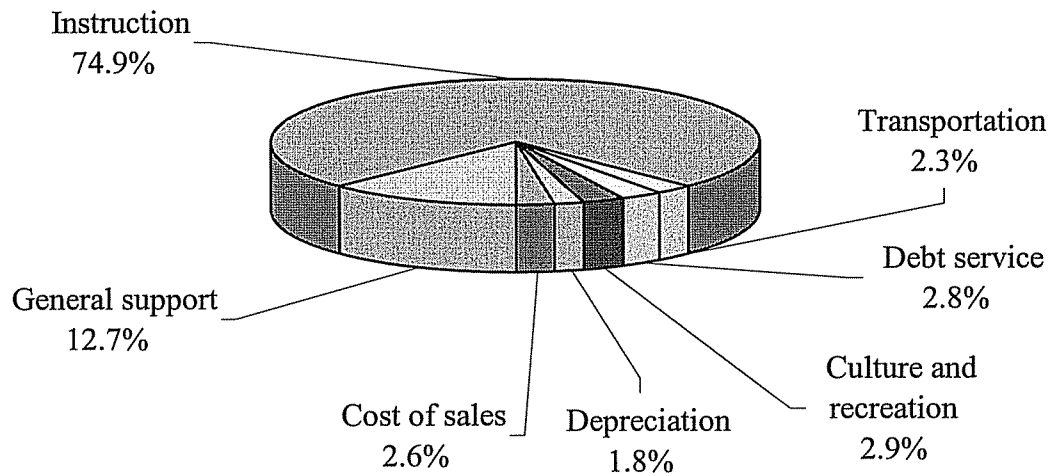


Figure A-6

Expenses for Fiscal Year 2006



Governmental Activities

This section presents the cost of seven major District activities: general support, instruction, transportation, debt 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 2006

Net Cost of Governmental Activities

(in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2006	2005	2005-2006	2006	2005	2005-2006
General support	\$ 4,996	\$ 5,094	-1.92%	\$ 4,786	\$ 4,814	-0.58%
Instruction	29,512	28,363	4.05%	24,796	23,406	5.94%
Transportation	889	821	8.28%	351	283	24.03%
Debt service	1,121	1,178	-4.84%	1,121	1,178	-4.84%
Culture and recreation	1,125	1,045	7.66%	1,110	1,036	7.14%
Depreciation	727	1,091	-33.36%	727	1,090	-33.30%
Cost of sales	1,008	920	9.57%	33	(37)	-189.19%
Total	<u>\$ 39,378</u>	<u>\$ 38,512</u>	<u>2.25%</u>	<u>\$ 32,924</u>	<u>\$ 31,770</u>	<u>3.63%</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 \$11,941,874. Of this amount, \$1,040,900 constitutes unreserved fund balance, of which \$553,000 has been designated for subsequent years' expenditures and represents the amount estimated for use in the 2006-2007 budget. The remainder of the fund balance, \$10,900,974, 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 \$2,301,045, a reserve for certiorari proceedings of \$262,450, a reserve for unemployment insurance of \$722,555, a reserve for employee benefit accrued liability of \$2,338,047, a reserve for flex spending of \$4,959, a capital projects reserve of \$771,712 and a reserve for debt service of \$4,500,206.

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 \$7,161,140, of which \$724,034 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, which the District did not exceed. The fund balance of the General Fund increased by \$376,630.

Figure A-8

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

	2006		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Balance</u>
General Fund	\$ 35,158	\$ 34,781	\$ 7,161
Special Aid Fund	2,135	2,135	-
School Lunch Fund	993	1,008	298
Public Library	1,167	1,149	343
Capital Fund	-	1,173	(361)
Debt Service Fund	3,752	3,441	4,500

	2005		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Balance</u>
General Fund	\$ 33,760	\$ 32,752	\$ 6,785
Special Aid Fund	2,442	2,442	-
School Lunch Fund	969	920	313
Public Library	1,084	1,044	325
Capital Fund	262	2,298	812
Debt Service Fund	3,451	3,700	4,189

General Fund Budgetary Highlights

The difference between the original budget and the amended budget was \$2,028,829. This change is attributable to additional encumbrances carried over from the 2004-2005 fiscal year for use in the 2005-2006 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, 2006 the District had capital assets of \$65,178,599 (\$38,310,979, 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

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2006	2005	2005-2006
Land	\$ 2,427	\$ 2,427	0.00%
Construction in progress	10,777	27,911	-61.39%
Buildings	22,653	4,492	404.30%
Equipment	2,454	2,819	-12.95%
Total	<u>\$ 38,311</u>	<u>\$ 37,649</u>	<u>1.76%</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, 2006, the District had in general obligations and other long-term debt outstanding, as follows:

Figure A-10

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2006	2005	2005-2006
General obligation bonds and notes (financed with property taxes)	\$ 31,185	\$ 33,505	-6.92%
Compensated absences	7,586	8,240	-7.94%
Total	<u>\$ 38,771</u>	<u>\$ 41,745</u>	-7.12%

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 participating employers 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 2006-2007 fiscal year will be 8.60% for eligible salaries. This rate is 0.63 percentage points (7.9%) higher than the 2005-2006 rate of 7.97% of eligible salaries, therefore significantly increasing the District's cost in the next fiscal year.

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

Contacting the District's Financial Management

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

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Cash	\$ 12,197,266
State and federal aid receivable	791,051
Taxes and accounts receivable	535,904
Other receivables	372,722
Due from other governments	610,809
Due from fiduciary funds	334,375
Inventory	25,008
Capital assets, not being depreciated	13,204,734
Capital assets, net of accumulated depreciation	<u>25,106,245</u>
 Total assets	 \$ <u>53,178,114</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 48,136
Accrued liabilities	212,796
Due to other governments	62,697
Deferred revenue	615,878
Retirement system liability	1,985,754
Long-term liabilities:	
Due and payable within one year:	
Serial bonds payable	2,385,000
Compensated absences	460,000
Due and payable after one year:	
Serial bonds payable	28,800,000
Compensated absences	<u>7,125,588</u>
 Total liabilities	 <u>41,695,849</u>

NET ASSETS:

Invested in capital assets, net of related debt	7,125,979
Restricted for:	
Debt service	4,450,607
Unrestricted (deficit)	<u>(94,321)</u>
 Total net assets	 <u>11,482,265</u>
 Total liabilities and net assets	 \$ <u>53,178,114</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
General support	\$ 4,357,645	\$ 637,876	\$ 51,681	\$ 157,747	\$ (4,786,093)
Instruction	23,854,320	5,657,692	49,336	4,666,543	(24,796,133)
Pupil transportation	875,490	14,033	-	538,533	(350,990)
Debt service	1,120,625	-	-	-	(1,120,625)
Culture and recreation	899,667	225,128	-	14,693	(1,110,102)
School lunch	859,262	148,674	433,461	541,776	(32,699)
Unallocated employee benefits	6,683,403	(6,683,403)	-	-	-
Unallocated depreciation	727,642	-	-	-	(727,642)
Total governmental activities	\$ 39,378,054	\$ -	\$ 534,478	\$ 5,919,292	\$ (32,924,284)
General revenues:					
Property taxes					18,245,878
Non-property taxes					1,113,985
Interest earnings					725,546
State and federal aid not restricted for a specific purpose					15,436,205
Other miscellaneous revenues					557,560
Total general revenues					36,079,174
Change in net assets					3,154,890
Net assets - beginning of year					8,327,375
Net assets - end of year					\$ 11,482,265

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash	\$ 7,297,515	\$ 4,087,265	\$ 812,486	\$ 12,197,266
State and federal aid receivable	335,205	-	455,846	791,051
Taxes and accounts receivable	535,904	-	-	535,904
Other receivables	357,247	-	15,475	372,722
Due from other governments	610,809	-	-	610,809
Due from other funds	1,206,908	413,167	-	1,620,075
Inventory	-	-	25,008	25,008
Total assets	<u>\$ 10,343,588</u>	<u>\$ 4,500,432</u>	<u>\$ 1,308,815</u>	<u>\$ 16,152,835</u>
LIABILITIES AND FUND BALANCE:				
Accounts payable	\$ 28,136	\$ -	\$ 20,000	\$ 48,136
Accrued liabilities	197,237	226	15,333	212,796
Due to other funds	322,094	-	963,606	1,285,700
Due to other governments	61,772	-	925	62,697
Deferred revenue	587,455	-	28,423	615,878
Retirement system liability	<u>1,985,754</u>	<u>-</u>	<u>-</u>	<u>1,985,754</u>
Total liabilities	<u>3,182,448</u>	<u>226</u>	<u>1,028,287</u>	<u>4,210,961</u>

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006
(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCE:				
Reserved:				
Reserved for encumbrances	1,837,383	-	463,662	2,301,045
Reserved for tax certiorari	262,450	-	-	262,450
Reserved for unemployment insurance	722,555	-	-	722,555
Reserved for employee benefit accrued liability	2,338,047	-	-	2,338,047
Reserved for flex spending	4,959	-	-	4,959
Capital reserve	771,712	-	-	771,712
Reserved for debt service	-	4,500,206	-	4,500,206
Unreserved:				
General fund	724,034	-	-	724,034
Special revenue fund	-	-	473,930	473,930
Capital fund (deficit)	-	-	(710,064)	(710,064)
Designated for subsequent year's expenditures	<u>500,000</u>	<u>-</u>	<u>53,000</u>	<u>553,000</u>
Total fund balance	<u>7,161,140</u>	<u>4,500,206</u>	<u>280,528</u>	<u>11,941,874</u>
Total liabilities and fund balance	<u>\$ 10,343,588</u>	<u>\$ 4,500,432</u>	<u>\$ 1,308,815</u>	<u>\$ 16,152,835</u>

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Real property taxes	\$ 17,253,018	\$ -	\$ 992,860	\$ 18,245,878
Nonproperty taxes	1,113,985	-	-	1,113,985
Charges for services	60,764	-	40,253	101,017
Use of money and property	558,900	135,980	29,083	723,963
Sale of property and compensation for loss	1,583	-	-	1,583
Miscellaneous local sources	441,680	-	112,412	554,092
State sources	15,123,632	3,301,368	447,321	18,872,321
Federal sources	262,763	-	2,220,413	2,483,176
Sales	-	-	433,461	433,461
Gifts and donations	-	-	3,468	3,468
Total revenue	<u>34,816,325</u>	<u>3,437,348</u>	<u>4,279,271</u>	<u>42,532,944</u>
EXPENDITURES:				
General support	4,510,051	-	-	4,510,051
Instruction	21,901,915	-	1,992,628	23,894,543
Pupil transportation	859,728	-	15,762	875,490
Culture and recreation	-	-	923,839	923,839
Employee benefits	6,837,249	-	500,154	7,337,403
Debt service	-	3,440,625	-	3,440,625
Capital outlay	-	-	1,172,688	1,172,688
Cost of sales	-	-	859,262	859,262
Total expenditures	<u>34,108,943</u>	<u>3,440,625</u>	<u>5,464,333</u>	<u>43,013,901</u>

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Excess (deficit) revenue over expenditures	707,382	(3,277)	(1,185,062)	(480,957)
OTHER FINANCING SOURCES (USES):				
Transfer to reserves	(341,584)	-	-	(341,584)
Funding of reserves	341,584	-	-	341,584
Interfund transfers out	(330,752)	-	-	(330,752)
Interfund transfers in	-	315,000	15,752	330,752
Total other financing sources (uses)	(330,752)	315,000	15,752	-
Excess (deficit) revenue over expenditures and other financing sources (uses)	376,630	311,723	(1,169,310)	(480,957)
Fund balance - beginning of year, as previously stated	6,784,510	4,450,607	1,187,714	12,422,831
Prior period adjustment		(262,124)	262,124	
Fund balance - beginning of year, as restated	6,784,510	4,188,483	1,449,838	12,422,831
Fund balance - end of year	\$ 7,161,140	\$ 4,500,206	\$ 280,528	\$ 11,941,874

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2006

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 281,742	\$ 569,049
Restricted investments	341,081	-
Due from other funds	<u>-</u>	<u>79,696</u>
Total assets	\$ <u>622,823</u>	\$ <u>648,745</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Agency liabilities	\$ -	\$ 125,589
Extraclassroom activity balances	-	117,091
Due to other funds	<u>8,007</u>	<u>406,065</u>
Total liabilities	8,007	648,745
NET ASSETS:		
Reserved for scholarships	<u>614,816</u>	<u>-</u>
Total liabilities and net assets	\$ <u>622,823</u>	\$ <u>648,745</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trusts</u>
REVENUE:	
Interest	\$ 8,355
Gifts and donations	<u>24,243</u>
Total revenue	32,598
EXPENSES:	
Scholarships	<u>19,220</u>
Excess revenue over expenses	13,378
OTHER FINANCING SOURCES:	
Unrealized gains on investments	<u>20,631</u>
Excess revenue over expenses and other sources	34,009
Net assets - beginning of year	<u>580,807</u>
Net assets - end of year	\$ <u>614,816</u>

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, 2006

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
ASSETS:				
Cash	\$ 12,197,266	\$ -	\$ -	\$ 12,197,266
Taxes and accounts receivable	535,904	-	-	535,904
State and federal aid receivable	791,051	-	-	791,051
Other receivables	372,722	-	-	372,722
Due from other governments	610,809	-	-	610,809
Due from other funds	1,620,075	-	(1,285,700) (3)	334,375
Inventory	25,008	-	-	25,008
Capital assets, not being depreciated	-	13,204,734 (1)	-	13,204,734
Capital assets, net of accumulated depreciation	-	25,106,245 (1)	-	25,106,245
Total assets	\$ 16,152,835	\$ 38,310,979	\$ (1,285,700)	\$ 53,178,114

LIABILITIES AND NET ASSETS:				
LIABILITIES:				
Accounts payable	\$ 48,136	\$ -	\$ -	\$ 48,136
Accrued liabilities	212,796	-	-	212,796
Serial bonds payable	-	31,185,000 (2)	-	31,185,000
Bond anticipation notes payable	-	-	-	-
Due to other funds	1,285,700	-	(1,285,700) (3)	-
Due to other governments	62,697	-	-	62,697
Due to retirement systems	1,985,754	-	-	1,985,754
Deferred revenue	615,878	-	-	615,878
Compensated absences	-	7,585,588 (2)	-	7,585,588
Total liabilities	4,210,961	38,770,588	(1,285,700)	41,695,849

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

JUNE 30, 2006
(Continued)

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
NET ASSETS:				
Total fund balance/net assets	11,941,874	(459,609)	-	11,482,265
Total liabilities and balance	\$ 16,152,835	\$ 38,310,979	\$ (1,285,700)	\$ 53,178,114

- (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 Balance. 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, 2006

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUE:				
Real property taxes	\$ 18,245,878	\$ -	-	\$ 18,245,878
Nonproperty taxes	1,113,985	-	-	1,113,985
Charges for services	101,017	-	-	101,017
Use of money and property	723,963	-	-	723,963
Sale of property and compensation for loss	1,583	-	-	1,583
Miscellaneous local sources	554,092	-	-	554,092
State sources	18,872,321	-	-	18,872,321
Federal sources	2,483,176	-	-	2,483,176
Sales	433,461	-	-	433,461
Gifts and donations	3,468	-	-	3,468
Total revenue	42,532,944	-	-	42,532,944
EXPENDITURES:				
General support	4,510,051	(152,406) (1)	-	4,357,645
Instruction	23,894,543	(40,223) (1)	-	23,854,320
Pupil transportation	875,490	-	-	875,490
Culture and recreation	923,839	(24,172) (1)	-	899,667
Employee benefits	7,337,403	(654,000) (2)	-	6,683,403
Debt service	3,440,625	-	(2,320,000) (3)	1,120,625
Capital outlay	1,172,688	(1,172,688) (1)	-	-
Depreciation	-	727,642 (1)	-	727,642
Cost of sales	859,262	-	-	859,262
Total expenditures	43,013,901	(1,315,847)	(2,320,000)	39,378,054

See notes to basic financial statements.

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, 2006
(Continued)

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Excess (deficit) revenue over expenditures	(480,957)	1,315,847	2,320,000	3,154,890
OTHER FINANCING SOURCES (USES):				
Transfer to reserves	(341,584)		(341,584)	(4)
Funding of reserves	341,584	-	341,584	(4)
Interfund transfers out	(330,752)	-	330,752	(4)
Interfund transfers in	330,752	-	(330,752)	(4)
Excess (deficit) revenue over expenditures and other financing sources (uses)	\$ (480,957)	\$ 1,315,847	\$ 2,320,000	\$ 3,154,890

- (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 Balance 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 Balance. 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 Balance but is reported as a reduction of long-term liabilities in the district-wide Statement of Net Assets.
- (4) Elimination of interfund transfers.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

The 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.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2006, the District was billed \$3,832,002 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (either operating or capital) grants, while the capital grants column reflects capital-specific 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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.

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 Funds: - These funds are 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. There are two classes of fiduciary funds:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private purpose trust funds: Those funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representative of the donors may serve on committees to determine who benefits.

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

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.

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. Taxes are collected during the period of October through December. 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, 2006 are reported as taxes receivable and deferred tax revenue.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY DATA

1. BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the General Fund. 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. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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, 2006 that is required to be presented on the Budgetary Comparison Schedule.

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.

G. INVESTMENT

Investments are valued at fair market value as of June 30, 2006.

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. INTERFUND TRANSACTIONS

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of a Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 2.A.2 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

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. VESTED EMPLOYEE BENEFITS

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, 2006 for compensated absences and the value of sick leave converted to pay employees' post-employment health insurance premiums was \$9,923,635. Of this amount, \$2,338,047 is fully funded and included in net assets. During the year, \$419,288 was paid on behalf of retirees for health insurance, as an expenditure in the General Fund.

M. DEFERRED REVENUE

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. FUND EQUITY

District-wide statements

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

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets - reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Funds statements:

Unreserved fund balance consists to two classifications. A designation of unreserved fund balance indicated the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 2% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General Fund.

c. Reserved for Employee Benefit Accrued Liability

Reserve for Employment Benefit Accrued Liability is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

d. Capital Reserve

Capital Reserves is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose approved by the voters. This reserve is accounted for in the General Fund.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

e. Unemployment Insurance Reserve

Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

f. Reserve for Debt Service

Reserve for Debt Service is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The 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 \$53,000 has been designated as the amount estimated to be appropriated to reduce taxes in the subsequent year.

O. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

1. CASH AND INVESTMENTS

The District's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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.

Investments

Included in the District's Fiduciary Funds 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, 2006</u>
54	Shares American Telephone and Telegraph, Inc.	\$ 2,820	\$ 36,898
3,527	Shares Putnam Investors Fund, Inc.	27,852	48,254
2,386	Shares JP Morgan Chase	24,319	150,318
352	Shares Lucent Technologies, Inc.	1,141	852
93	Agere Systems	-	132
3,210	Shares Eastman Kodak	200,000	76,333
72	Shares Bank of America	5,452	6,926

For the year ended June 30, 2006, the District recognized an unrealized gain of \$20,631.

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 activity at June 30, 2006 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$1,206,908	\$ 322,094	\$ -	\$ 330,752
Special Aid Fund	-	622,942	15,752	-
Capital Projects Fund	-	340,664	-	-
Debt Service Fund	413,167	-	315,000	-
Expendable Trust Fund	-	8,007	-	-
Trust and Agency Fund	79,696	406,064	-	-
Total	<u>\$1,699,771</u>	<u>\$1,699,771</u>	<u>\$ 330,752</u>	<u>\$ 330,752</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, 2006 were as follows:

	<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/06</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,427,349	\$ -	\$ -	\$ 2,427,349
Construction in progress	<u>27,911,250</u>	<u>1,172,688</u>	<u>18,306,553</u>	<u>10,777,385</u>
Capital assets, not being depreciated	<u>30,338,599</u>	<u>1,172,688</u>	<u>18,306,553</u>	<u>13,204,734</u>
Capital assets that are depreciated:				
Buildings	26,259,335	18,508,208	-	44,767,543
Furniture and equipment	<u>7,191,176</u>	<u>17,973</u>	<u>2,827</u>	<u>7,206,322</u>
Capital assets, being depreciated	<u>33,450,511</u>	<u>18,526,181</u>	<u>2,827</u>	<u>51,973,865</u>
Less accumulated depreciation:				
Buildings	21,766,906	348,089	-	22,114,995
Furniture and equipment	<u>4,373,072</u>	<u>379,553</u>	-	<u>4,752,625</u>
Total accumulated depreciation	<u>26,139,978</u>	<u>727,642</u>	-	<u>26,867,620</u>
Capital assets, being depreciated, net	<u>7,310,533</u>	<u>17,798,539</u>	<u>2,827</u>	<u>25,106,245</u>
Governmental activities capital assets, net	<u>\$37,649,132</u>	<u>\$18,971,227</u>	<u>\$18,309,380</u>	<u>\$38,310,979</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>
2006	\$ 422,907	\$1,019,668
2005	490,457	366,649
2004	200,802	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

- a. SERIAL BONDS - The District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded as a liability in the government-wide statements and expenditures in the fund financial statements. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$1,120,625 of expenditures for long-term debt interest that was permanently financed.

- b. 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	\$33,505,000	\$ -	\$ 2,320,000	\$31,185,000	\$ 2,385,000
Compensated absences	<u>8,239,588</u>	<u>1,219,983</u>	<u>1,873,983</u>	<u>7,585,588</u>	<u>460,000</u>
Total long-term					
Liabilities	<u>\$41,744,588</u>	<u>\$ 1,219,983</u>	<u>\$ 4,193,983</u>	<u>\$38,770,588</u>	<u>\$ 2,845,000</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The following is a summary of maturity of indebtedness outstanding at June 30, 2006:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2006</u>
Serial Bonds Payable	5/15/03	5/15/18	Variable	\$ 8,810,000
	12/14/02	6/15/14	Variable	6,350,000
	3/15/04	3/15/19	Variable	<u>16,025,000</u>
Total				<u>\$31,185,000</u>

The following table summarizes the District's future debt service requirements for serial bonds outstanding at June 30, 2005:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	2,615,000	758,699
2012-2016	12,590,000	2,444,863
2017-2020	<u>6,085,000</u>	<u>446,613</u>
Total	<u>\$31,185,000</u>	<u>\$ 7,460,875</u>

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 to participate in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2006 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, 2005</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2006</u>
Tax Certiorari Proceedings	\$ 254,105	\$ 8,345	\$ -	\$ 262,450
Unemployment Insurance	705,947	23,090	(6,482)	722,555
Employee Benefit Accrued Liability	1,932,983	405,064	-	2,338,047
Capital Reserve	747,174	24,538	-	771,712
Flex Spending	<u>4,959</u>	<u>-</u>	<u>-</u>	<u>4,959</u>
	<u>\$3,645,168</u>	<u>\$ 461,037</u>	<u>\$ (6,482)</u>	<u>\$4,099,723</u>

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUE:				
Local sources:				
Real property taxes	\$ 17,281,304	\$ 17,281,304	\$ 17,253,018	\$ (28,286)
Nonproperty tax items	825,000	825,000	1,113,985	288,985
Charges for services	54,000	54,000	60,764	6,764
Use of money and property	250,000	250,000	558,900	308,900
Sale of property and compensation for loss	1,500	1,500	1,583	83
Miscellaneous	480,000	480,000	441,680	(38,320)
State sources:				
Basic formula	12,789,493	12,789,493	13,110,568	321,075
BOCES	1,443,816	1,443,816	1,838,554	394,738
All other state aid	938,654	938,654	174,510	(764,144)
Federal sources	<u>260,000</u>	<u>260,000</u>	<u>262,763</u>	<u>2,763</u>
Total revenue	34,323,767	34,323,767	34,816,325	492,558
Other sources:				
Funding of reserves	-	-	341,584	341,584
Appropriated fund balance	<u>2,528,829</u>	<u>2,528,829</u>	-	<u>(2,528,829)</u>
Total revenue and other sources	<u>\$ 36,852,596</u>	<u>\$ 36,852,596</u>	<u>\$ 35,157,909</u>	<u>\$ (1,694,687)</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES:					
General support:					
Board of education	\$ 10,473	\$ 11,878	\$ 10,275	\$ 540	\$ 1,063
Central administration	212,962	215,011	214,128	883	-
Finance	599,541	514,954	447,067	64,265	3,622
Staff	194,850	264,482	263,882	-	600
Central services	3,247,622	3,460,371	3,155,455	287,118	17,798
Special items	734,560	419,848	419,244	-	604
Instruction:					
Instruction, administration, and improvements	1,321,138	1,189,103	1,180,021	6,005	3,077
Teaching - regular school	12,514,413	13,536,150	13,088,241	421,038	26,871
Programs for children with handicaps	4,258,600	3,138,968	3,037,719	101,248	1
Occupational education	781,560	767,810	767,810	-	-
Instructional media	2,452,791	3,218,195	2,274,127	914,662	29,406
Pupil services	1,901,415	1,688,576	1,553,997	30,711	103,868
Pupil transportation	841,850	870,645	859,728	10,913	4
Employee benefits	7,440,821	7,216,605	6,837,249	-	379,356
Total expenditures	36,512,596	36,512,596	34,108,943	1,837,383	566,270
Other uses:					
Transfer to reserves	-	-	341,584	-	(341,584)
Interfund transfers	340,000	340,000	330,752	-	9,248
Total expenditures and other uses	\$ 36,852,596	\$ 36,852,596	\$ 34,781,279	\$ 1,837,383	\$ 233,934
Excess revenue over expenditures and other uses			\$ 376,630		

See notes to basic financial statements.

SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2006

	Public Library	School Lunch	Special Aid	Capital	Total
ASSETS:					
Cash	\$ 375,143	\$ 232,340	\$ 205,003	\$ -	\$ 812,486
Accounts receivable	-	15,475	-	-	15,475
State and federal aid receivable	-	27,844	428,002	-	455,846
Inventory	-	25,008	-	-	25,008
Total assets	\$ 375,143	\$ 300,667	\$ 633,005	\$ -	\$ 1,308,815
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	20,000	\$ 20,000
Accrued liabilities	13,696	1,637	-	-	15,333
Due to other governments	-	925	-	-	925
Due to other funds	-	-	622,942	340,664	963,606
Deferred revenue	18,360	-	10,063	-	28,423
Total liabilities	32,056	2,562	633,005	360,664	1,028,287
Fund balance:					
Reserved for encumbrances	9,909	-	104,353	349,400	463,662
Designated for subsequent year's expenditures	53,000	-	-	-	53,000
Undesignated (deficit)	280,178	298,105	(104,353)	(710,064)	(236,134)
Total fund balance	343,087	298,105	-	(360,664)	280,528
Total liabilities and fund balance	\$ 375,143	\$ 300,667	\$ 633,005	\$ -	\$ 1,308,815

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Public Library	School Lunch	Special Aid	Capital	Total
REVENUE:					
Real property taxes	\$ 992,860	\$ -	\$ -	\$ -	992,860
Charges for services	40,253	-	-	-	40,253
Use of money and property	19,050	10,033	-	-	29,083
Miscellaneous local sources	96,960	7,727	7,725	-	112,412
State sources	14,693	33,167	399,461	-	447,321
Federal sources	-	508,609	1,711,804	-	2,220,413
Gifts and donations	3,468	-	-	-	3,468
Sales	-	433,461	-	-	433,461
Total revenue	1,167,284	992,997	2,118,990	-	4,279,271
EXPENDITURES:					
Instruction	-	-	1,992,628	-	1,992,628
Pupil transportation	-	-	15,762	-	15,762
Culture and recreation	923,839	-	-	-	923,839
Employee benefits	225,128	148,674	126,352	-	500,154
Capital outlay	-	-	-	1,172,688	1,172,688
Cost of sales	-	859,262	-	-	859,262
Total expenditures	1,148,967	1,007,936	2,134,742	1,172,688	5,464,333

See notes to basic financial statements.
B2

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Public Library	School Lunch	Special Aid	Capital	Total
Excess (deficit) revenue over expenditures	18,317	(14,939)	(15,752)	(1,172,688)	(1,185,062)
OTHER FINANCING SOURCES:					
Interfund transfers in	-	-	15,752	-	15,752
Total other financing sources	-	-	15,752	-	15,752
Excess (deficit) revenue over expenditures and other financing sources	18,317	(14,939)	-	(1,172,688)	(1,169,310)
Fund balance - beginning of year - as previously stated	324,770	313,044	-	549,900	1,187,714
Prior period adjustment	-	-	-	262,124	262,124
Fund balance - beginning of year - as restated	324,770	313,044	-	812,024	1,449,838
Fund balance (deficit) - end of year	\$ 343,087	\$ 298,105	\$ -	\$ (360,664)	\$ 280,528

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, 2006

Original Budget	\$34,823,767
Additions:	
Encumbrances	<u>2,028,829</u>
Revised Budget	<u>\$36,852,596</u>

BATAVIA CITY SCHOOL DISTRICT
GENERAL FUND
ANALYSIS OF USE OF BEGINNING FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

A909 Fund balance as of beginning of year (unreserved)	\$ 1,110,513
Less:	
A599 Appropriated fund balance used for levy of taxes	<u>500,000</u>
Fund balance (undesignated)	<u>\$ 610,513</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT

Project Title	Expenditures				Unexpended Balance	Methods of Financing			Fund Balance 6/30/06	
	Original Appropriations	Revised Appropriations	Prior Years	Current Year		Proceeds of Obligations	Local Sources			
							State Aid	Total		
John Kennedy School - Renovation	\$ 10,100,077	\$ 10,100,077	\$ 10,100,077	\$ (35,642)	\$ 10,064,435	\$ 35,642	\$ -	\$ 100,077	\$ 10,100,077	\$ 35,642
Robert Morris School - Renovation	1,083,836	1,083,836	-	1,435	1,435	1,082,401	-	-	-	(1,435)
Robert Morris School Library - Renovation	482,302	482,302	-	807	807	481,495	-	-	-	(807)
Middle School - Renovation	12,799,662	12,799,662	-	562,202	562,202	12,237,460	-	-	-	(562,202)
High School - Renovation	18,994,385	18,064,543	17,252,519	643,886	17,896,405	168,138	-	114,543	18,064,543	168,138
Total	\$ 43,460,262	\$ 42,530,420	\$ 27,352,596	\$ 1,172,688	\$ 28,525,284	\$ 14,005,136	\$ -	\$ 214,620	\$ 28,164,620	\$ (360,664)

B5

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2006

	<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	\$12,785,694	\$12,785,694
Non Property Taxes	AT-1199	1,113,985	1,113,985
State Aid	AT-3999	15,123,632	15,123,632
Federal Aid	AT-4999	262,763	262,763
Total Revenue	AT-5999	35,157,909*	34,816,325
EXPENDITURES:			
General Support	AT-1999	\$ 4,510,051	\$ 4,510,051
Pupil Transportation	AT-5599	859,728	859,728
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	34,781,279	34,439,695

*Audited amounts for total revenue and total expenditures differ from the ST-3 amounts by \$341,584 due to the presentation in the financial statements of the transfer to reserve funds.

BATAVIA CITY SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2006

Capital assets, net	\$38,310,979
Deduct:	
Bonds payable	<u>31,185,000</u>
Investment in capital assets, net of related debt	\$ <u>7,125,979</u>

SECTION C

SUPPLEMENTARY INFORMATION -

FEDERAL FINANCIAL ASSISTANCE

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Direct Programs		
None		
Passed through New York State Bureau of School Food Management		
Food Distribution	10.555	\$ 62,584
National School Lunch Program	10.555	345,309
National School Breakfast Program	10.553	<u>100,716</u>
Total U.S. Department of Agriculture		<u>508,609</u>
 <u>U.S. Department of Education</u>		
Direct Programs		
None		
Passed through the State Education Department of the State of New York		
Educationally Deprived Children -		
Local Education Agencies Title I - 2005-2006	84.010	650,742
2004-2005	84.010	169,032
Local Educational Agencies		
Title V of ESEA 2005-2006	84.298	4,908
Education of the Handicapped (Section 611)		
2005-2006	84.027*	513,273
2004-2005	84.027	103,973
ESEA Title IIA-2005-2006	84.367	68,103
2004-2005	84.367	59,241
Drug-Free Schools and Communities - Title IV		
2005-2006	84.186	24,115
2004-2005	84.186	3,334
Handicapped-State Grants - Part B,		
Education of the Handicapped (Section 619)		
2005-2006	84.173	49,605
2004-2005	84.173	29,354
Committee on Preschool Education		
Part B, Education of the		
Handicapped - 2005-2006 CPSE	84.173	17,760
2004-2005	84.173	1,487
Title IID Enhancing Education		
2005-2006	84.318	8,906
2004-2005	84.318	<u>7,971</u>
Total U.S. Department of Education		<u>1,711,804</u>
 Total Expenditures of Federal Awards		 \$ <u>2,220,413</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, 2006

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs administered by Batavia City School District (the District), an entity as defined in Note 1 to the District's basic financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

NOTE 2 - BASIS OF ACCOUNTING

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

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 \$300,000 or more are Type A programs, which are deemed major programs for the purpose of the Schedule of Expenditures of Federal Awards, that the aggregate amount of the major program expenditures exceed 25% of the total federal awards expended.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006, the School District received \$62,584 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

SECTION D

INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

**Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited the 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, 2006, and have issued our report thereon dated August 31, 2006. 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 the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-1.

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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as items 06-2 and 06-3.

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.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
August 31, 2006



**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, 2006. The District's major federal programs are identified in the summary of auditor's 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, 2006.

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 management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
August 31, 2006

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's opinion(s) issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes Xno

Reportable condition(s) identified that are not
considered to be material weakness(es)? Xyes no

Noncompliance material to financial statements noted? Xyes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes Xno

Reportable condition(s) identified that are not
considered to be material weakness(es)? yes Xnone reported

Type of auditor's opinion(s) issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes Xno

Identification of major programs:

Section 611 Program (IDEA) CFDA No. 84.027

Dollar threshold used to distinguish between Type A and Type B
Programs 300,000

Auditee qualified as low risk? Xyes no

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Findings - Financial Statement Audit

06-1. Computer Controls

During our assessment and consideration of internal controls over the accounting system of the District, it came to our attention that the Business Administrator has unlimited access to all modules of the accounting system.

We recommend that access rights be evaluated for all individuals within the business office and modifications to access rights be made as appropriate. Unless access to a specific module is necessary to complete an individual's daily activities their access should be limited to read-only rights. Due to the size of the business office it may be necessary for individuals to have access to certain modules only periodically in the case of vacations or other absences. In that case, access rights can be activated for a short period of time then deactivated once the need lapses.

06-2. Funding of Reserves

During our audit, we noted that the District had made an unbudgeted transfer of \$341,584 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.

06-3. 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>
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.	See 06-2.
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.	See 06-3

SECTION E
EXTRACLASSROOM ACTIVITY



Freed Maxick & Battaglia, CPAs, PC

**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, 2006. 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, 2006, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
August 31, 2006

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Balance <u>July 1, 2005</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2006</u>
Class of 2005	\$ 93	\$ -	\$ 93	\$ -
Class of 2006	6,743	27,706	32,919	1,530
Class of 2007	2,667	7,992	6,108	4,551
Class of 2008	1,807	4,080	748	5,139
Class of 2009	-	9,170	5,900	3,270
Batavian	5,509	18,639	22,477	1,671
BHS Student Government	6,453	4,974	7,446	3,981
BHS Ski Club	1,298	12,300	13,259	339
Sales Lab	593	1,514	1,791	316
Baseball Fund	314	-	-	314
BHS Literary	96	2,640	2,494	242
BHS Band	837	151	169	819
BHS Library	319	68	78	309
BHS Chorus	8,406	1,861	1,189	9,078
BHS Assembly	896	2,344	3,136	104
BHS Gymnastics	120	206	-	326
A.P. Fund	864	11,079	11,277	666
National Honor Society	624	3,024	3,433	215
BHS Language Club	163	-	70	93
SADD	728	3,198	3,746	180
Project Graduation	546	3,038	2,987	597
BHS Pages	245	250	334	161
Boys Basketball Club	53	-	-	53
BHS Technology	285	1,490	1,601	174
BHS Tennis	153	544	231	466
Tri-M	60	290	182	168
BMS Band	715	3,315	2,805	1,225
BMS Chorus	518	-	-	518
BMS Yearbook	2,415	12,069	12,171	2,313
BMS Orchestra	3,354	8,786	5,909	6,231
Subtotal	\$ 46,874	\$ 140,728	\$ 142,553	\$ 45,049

See notes to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

	<u>Balance</u> <u>July 1, 2005</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2006</u>
Character Education	28	370	220	178
BMS Tech. Club	1,559	-	-	1,559
BMS Assembly	5,846	3,906	4,071	5,681
BMS Student Council	3,379	9,933	9,770	3,542
BMS Honor Society	1,328	363	116	1,575
BMS AHEAD	2,167	882	1,067	1,982
7th Grade - Team I	3,968	4,254	4,199	4,023
7th Grade - Team II	2,071	2,212	1,453	2,830
8th Grade - Team I & II	1,357	5,071	5,710	718
Wall-to-Wall	1,019	36	-	1,055
BMS Book Fair	714	1,980	2,688	6
R. Morris Media	1,144	-	560	584
R. Morris Student Council	397	1,898	2,218	77
J. Kennedy Media	2	5,680	3,252	2,430
J. Kennedy Council	1,519	2,124	1,560	2,083
J. K. Home School Association	12,234	31,647	33,434	10,447
J.K. 5th Grade	-	300	-	300
Girls Basketball	34	-	-	34
Books Across America	138	-	-	138
BMS Chess Club	103	-	75	28
Varsity Club	482	395	80	797
BHS Scholastic Bowl	639	-	-	639
BMS Drama Club	33	467	304	196
BMS Literacy Magazine	136	15	-	151
High School Production	6,204	6,993	5,322	7,875
INK	56	-	-	56
Girls Volleyball	119	3,223	1,182	2,160
Girls Softball	58	327	-	385
Sports Medicine	66	147	-	213
J.V. Football Cheerleaders	20	-	19	1
Jackson Library	12	-	-	12
Subtotal	\$ 46,832	\$ 82,223	\$ 77,300	\$ 51,755

See notes to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE - CASH BASIS -
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

	Balance <u>July 1, 2005</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2006</u>
Jackson Student Council	6,556	1,993	3,567	4,982
Robert Morris School	-	185	-	185
Robert Morris 4th Grade	-	12,632	12,631	1
BMS 6th South	1,156	7,041	5,903	2,294
BMS 6th North	349	3,167	3,426	90
BMS Ski Club	1,736	18,749	20,419	66
Art Club	53	-	-	53
Model UN	64	999	1,018	45
BHS Drama	1,620	1,173	1,523	1,270
RM School Store	199	473	606	66
FORM	11,272	29,298	30,333	10,237
Interest Checking	<u>546</u>	<u>3,442</u>	<u>2,990</u>	<u>998</u>
Subtotal	23,551	79,152	82,416	20,287
Subtotal (E3)	46,874	140,728	142,553	45,049
Subtotal (E4)	<u>46,832</u>	<u>82,223</u>	<u>77,300</u>	<u>51,755</u>
Total	\$ <u>117,257</u>	\$ <u>302,103</u>	\$ <u>302,269</u>	\$ <u>117,091</u>

See notes 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, 2006.

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
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

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 (checking) 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, 2006
(Continued)

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. 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.

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.

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.

STUDENT LEDGERS

During our audit of the extraclassroom activity funds, we selected ten clubs at random for the purpose of applying auditing procedures. Club ledgers were not provided for three of these clubs.

BATAVIA CITY SCHOOL DISTRICT
EXTRAClassroom Activity Funds
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(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.