

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2007**

BATAVIA CITY SCHOOL DISTRICT

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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 School District (the District) as of and for the year ended June 30, 2007, 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 respective financial position of the governmental activities, each major fund, and the aggregate fund information of Batavia City School District as of June 30, 2007 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 September 27, 2007 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 A31 through A32 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 supplementary information, 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
September 27, 2007



Management Discussion and Analysis
Batavia City School District
Fiscal Year ended June 30, 2007

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, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2007 are as follows:

- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 3% 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 \$1,117,410, and this amount was within the statutory limit.
- General revenues which include Federal and State Aid and Real Property Taxes accounted for \$37,690,856 or 84.1% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Operating Contributions accounted for \$7,151,523 or 15.9% of total revenues.
- The District continued to fund its retiree health insurance liability for current employees and has a total of \$3,821,266 set aside in a reserve.
- The District had expenditures of \$8,194,862 in three capital projects during the year.

Overview of the Financial Statements

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

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

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

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

Figure A-1

Organization of Batavia City School District's Annual Financial Report

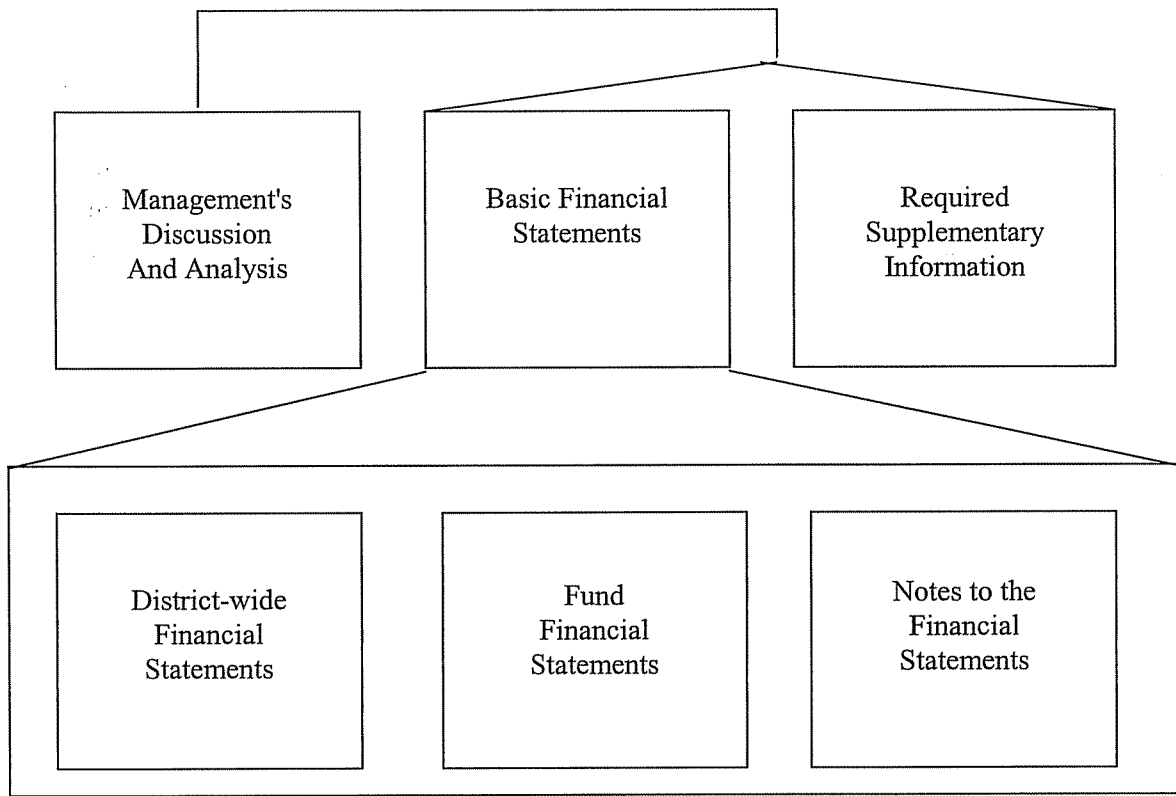


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Governmental 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 Balance	<ul style="list-style-type: none">• Statement of Fiduciary Net Assets• Statement Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenditures during the 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 \$5,973,274 constitute 33% of total assets.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2007	2006	2006-2007
Current and other assets	\$ 23,361	\$ 15,358	52.11%
Capital assets, not being depreciated	15,746	7,727	103.78%
Capital assets, net of accumulated depreciation	<u>35,368</u>	<u>36,990</u>	<u>-4.38%</u>
Total assets	<u>\$ 74,475</u>	<u>\$ 60,075</u>	<u>23.97%</u>
Long-term liabilities	\$ 38,773	\$ 41,109	-5.68%
Other liabilities	<u>17,618</u>	<u>2,925</u>	<u>502.32%</u>
Total liabilities	56,391	44,034	28.06%
Invested in capital assets, net of related debt	14,119	14,023	0.68%
Restricted for:			
Debt service	5,172	4,450	16.22%
Capital projects	801	772	3.76%
Undesignated	<u>(2,008)</u>	<u>(3,204)</u>	<u>37.33%</u>
Total net assets	<u>\$ 18,084</u>	<u>\$ 16,041</u>	<u>12.74%</u>
Total liabilities and and net assets	<u>\$ 74,475</u>	<u>\$ 60,075</u>	<u>23.97%</u>

In the current year the significant changes in capital assets, not being depreciated and other liabilities are primarily attributed to the bond anticipation notes payable, in connection with construction projects in process at June 30, 2007.

Figure A-4

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

	Governmental Activities and Total District		Total Percentage Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Revenue			
Property and non-property taxes	\$ 20,701	\$ 19,360	6.93%
Charges for services	262	101	159.41%
Use of money and property	1,184	724	63.54%
Miscellaneous	482	559	-13.77%
State and federal aid	22,419	21,356	4.98%
School lunch	403	433	-6.93%
Special item: loss on sale of asset	(81)	-	100.00%
Total revenue and special item	<u>45,370</u>	<u>42,533</u>	<u>6.67%</u>
Expenses			
General support	4,890	4,996	-2.12%
Instruction	31,470	29,512	6.63%
Transportation	923	889	3.82%
Debt service	1,658	1,121	47.90%
Culture and recreation	1,094	1,125	-2.76%
Depreciation	1,753	727	141.13%
School lunch	1,011	1,008	0.30%
Total expenses	<u>42,799</u>	<u>39,378</u>	<u>8.69%</u>
Net increase in net assets	<u>\$ 2,571</u>	<u>\$ 3,155</u>	<u>-18.51%</u>

During the current year interest rates increased causing an increase in interest revenue. Also, the charges for services increased due to health services for other schools increasing approximately \$63,000.

The increase in interest expense on debt is attributed primarily to the accrued interest on the bond anticipation note. The change in depreciation is mostly due to the prior period adjustment made in the current year to adjust capital assets.

Figure A-5

Sources of Revenues for Fiscal Year 2007

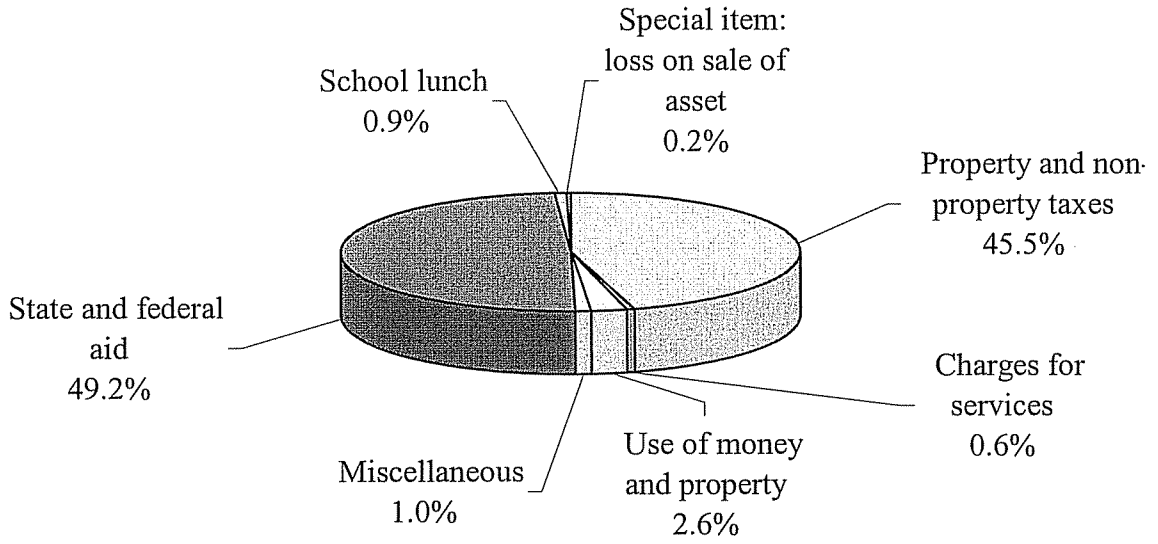
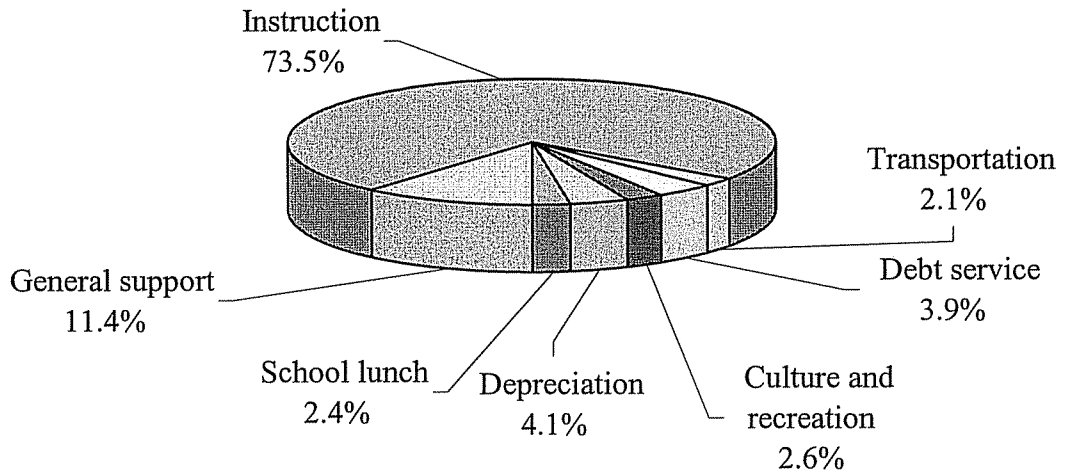


Figure A-6

Expenses for Fiscal Year 2007



Governmental Activities

This section presents the cost of seven major District activities: general support, instruction, transportation, debt service, culture and recreation, depreciation and school lunch. 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 2007

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2007	2006	2006-2007	2007	2006	2006-2007
General support	\$ 4,890	\$ 4,996	-2.12%	\$ 4,781	\$ 4,786	-0.10%
Instruction	31,470	29,512	6.63%	25,409	24,796	2.47%
Pupil transportation	923	889	3.82%	923	351	162.96%
Debt service	1,658	1,121	47.90%	1,658	1,121	47.90%
Culture and recreation	1,094	1,125	-2.76%	1,080	1,110	-2.70%
Depreciation	1,753	727	141.13%	1,753	727	141.13%
School lunch	1,011	1,008	0.30%	43	33	30.30%
Total	\$ 42,799	\$ 39,378	8.69%	\$ 35,647	\$ 32,924	8.27%

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 exclusive of capital funds, reported combined fund balances of \$14,897,022. Of this amount and also exclusive of capital funds, \$2,275,247 constitutes unreserved fund balance, of which \$700,000 has been designated for subsequent years' expenditures and represents the amount estimated for use in the 2007-2008 budget. The remainder of the fund balance also exclusive of capital funds, \$12,621,775, 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 \$1,811,407; a Reserve for Certiorari Proceedings of \$273,155; a Reserve for Unemployment Insurance of \$743,623; a Reserve for Employee Benefit Accrued Liability of \$3,821,266; a Capital Projects Reserve of \$800,943 and a Reserve for Debt Service of \$5,172,331. Capital funds unreserved fund deficit as of June 30, 2007 is \$8,555,526 due to incurring expenditures during the 2005-06 and 2006-07 fiscal years. Temporary financing (bond anticipation note) was obtained for cash flow purposes. Once permanent financing (bond) occurs, revenue will be realized and the unreserved fund deficit will revert to a surplus.

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 \$8,988,938, of which \$1,117,410 or 3.0% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 3% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund increased by \$1,827,798.

Figure A-8

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

	2007		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Balance</u>
General Fund	\$ 38,305	\$ 36,968	\$ 8,989
Capital Fund	-	8,195	(8,556)
Debt Service Fund	4,117	3,445	5,172
	2006		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Balance</u>
General Fund	\$ 35,158	\$ 34,781	\$ 7,161
Capital Fund	-	1,173	(361)
Debt Service Fund	3,752	3,441	4,500

General Fund Budgetary Highlights

The difference between the original budget and the amended budget was \$2,328,973. This change is attributable to \$1,837,373 encumbrances carried over from the 2005-2006 fiscal year for use in the 2006-2007 fiscal year and \$491,590 auditor prior period adjustment for New York State Employees Retirement System accrual.

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, 2007 the District had capital assets of \$74,475,392 (\$51,114,393, 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.

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.

Figure A-9

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2007	2006	2006-2007
Land	\$ 2,252	\$ 2,427	-7.21%
Construction in progress	13,494	5,299	154.65%
Buildings	34,194	35,732	-4.30%
Equipment	1,174	1,259	-6.75%
Total	<u>\$ 51,114</u>	<u>\$ 44,717</u>	<u>14.31%</u>

Long-Term Debt

At June 30, 2007, the District had general obligations and other long-term debt outstanding, as follows:

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

Figure A-10

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2007	2006	2006-2007
General obligation bonds and notes (financed with property taxes)	\$ 28,800	\$ 31,185	-7.65%
Compensated absences	9,973	9,924	0.49%
Total	<u>\$ 38,773</u>	<u>\$ 41,109</u>	<u>-5.68%</u>

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 2003 through March 2004), would be at least 4.5% of eligible payroll. The New York State Retirement System has also informed the participating employers that the rate in effect, for eligible payroll, for the February 2008 bill (billing period April 2007 through March 2008) will be approximately 12.90% for Tier 1 employees; 12.07% for Tier 2 employees; 9.89% for Tier 3 employees and 9.97% for Tier 4 employees.

The New York State Teachers' Retirement System has also indicated the rate to be used to calculate the TRS expenditures for 2007-2008 fiscal year will be 8.73% for eligible salaries. This rate is 0.13 percentage points (0.015%) higher than the 2006-2007 rate of 8.60% of eligible salaries, therefore there is no significant change in the School Districts' 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, 2007

ASSETS

Cash	\$	9,289,520
Cash - restricted		11,243,205
State and federal aid receivable		1,784,597
Taxes and accounts receivable		528,021
Other receivables		200,292
Due from fiduciary funds		202,447
Inventory		23,517
Prepaid expenses		89,400
Capital assets, not being depreciated		15,746,489
Capital assets, net of accumulated depreciation		<u>35,367,904</u>
Total assets	\$	<u>74,475,392</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	175,372
Accrued liabilities		229,693
Accrued interest payable		598,690
Due to other governments		11,580
Deferred revenue		53,439
Retirement system liability		1,655,598
Bond anticipation notes payable		14,365,800
Long-term liabilities:		
Due and payable within one year:		
Serial bonds payable		2,455,000
Compensated absences		498,647
Due and payable after one year:		
Serial bonds payable		26,345,000
Compensated absences		<u>9,474,299</u>
Total liabilities		<u>55,863,118</u>

NET ASSETS:

Invested in capital assets, net of related debt		14,119,531
Restricted for:		
Debt service		5,172,331
Capital projects		800,943
Unrestricted (deficit)		<u>(1,480,531)</u>
Total net assets		<u>18,612,274</u>
Total liabilities and net assets	\$	<u>74,475,392</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Indirect Cost Allocation</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			Charges for Services	Operating Grants and Contributions
Governmental activities:				
General support	\$ 4,186,113	\$ 704,219	\$ 109,302	\$ (4,781,030)
Instruction	25,105,188	6,364,316	152,953	(25,409,187)
Pupil transportation	906,881	15,751	-	(922,632)
Debt service	1,658,352	-	-	(1,658,352)
Culture and recreation	941,275	152,670	-	(1,079,958)
School lunch	878,098	133,148	403,068	(43,329)
Unallocated employee benefits	7,370,104	(7,370,104)	-	-
Unallocated depreciation	1,753,305	-	-	(1,753,305)
Total governmental activities	<u>\$ 42,799,316</u>	<u>\$ -</u>	<u>\$ 665,323</u>	<u>\$ (35,647,793)</u>

General revenues:	
Property taxes	19,697,533
Non-property taxes	1,003,128
Interest earnings	1,184,411
State and federal aid not restricted for a specific purpose	15,932,519
Other miscellaneous revenues	482,688
Special item: loss on sale of asset	(81,402)
Total general revenues and special item	<u>38,218,877</u>
Change in net assets	2,571,084
Net assets - beginning of year	11,482,265
Prior period adjustment	<u>4,558,925</u>
Net assets - beginning of year, as restated	<u>16,041,190</u>
Net assets - end of year	<u>\$ 18,612,274</u>

See notes to basic financial statements.
A2

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash	\$ 7,131,279	\$ -	\$ 1,500,302	\$ 657,939	\$ 9,289,520
Cash - restricted	800,943	4,271,324	6,170,938	-	11,243,205
State and federal aid receivable	1,436,420	-	-	348,177	1,784,597
Taxes and accounts receivable	528,021	-	-	-	528,021
Other receivables	113,553	85,001	-	1,738	200,292
Due from other funds	1,740,312	816,006	-	78,380	2,634,698
Prepaid expenses	89,400	-	-	-	89,400
Inventory	-	-	-	23,517	23,517
Total assets	<u>\$ 11,839,928</u>	<u>\$ 5,172,331</u>	<u>\$ 7,671,240</u>	<u>\$ 1,109,751</u>	<u>\$ 25,793,250</u>
LIABILITIES AND FUND BALANCE:					
Accounts payable	\$ 3,211	\$ -	\$ 168,395	\$ 3,766	\$ 175,372
Accrued liabilities	196,627	-	-	33,066	229,693
Due to other funds	457,773	-	1,692,571	281,907	2,432,251
Due to other governments	10,412	-	-	1,168	11,580
Deferred revenue	548,281	-	-	33,179	581,460
Due to retirement system	1,634,686	-	-	20,912	1,655,598
Bond anticipation notes payable	-	-	14,365,800	-	14,365,800
Total liabilities	<u>2,850,990</u>	<u>-</u>	<u>16,226,766</u>	<u>373,998</u>	<u>19,451,754</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007
(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
FUND BALANCE:					
Reserved:					
Reserved for encumbrances	1,532,541	-	950	277,916	1,811,407
Reserved for tax certiorari	273,155	-	-	-	273,155
Reserved for unemployment insurance	743,623	-	-	-	743,623
Reserved for employee benefit accrued liability	3,821,266	-	-	-	3,821,266
Capital reserve	800,943	-	-	-	800,943
Reserved for debt service	-	5,172,331	-	-	5,172,331
Unreserved:					
Designated for subsequent year's expenditures	700,000	-	-	-	700,000
Undesignated (deficit)	1,117,410	-	(8,556,476)	457,837	(6,981,229)
Total fund balance	8,988,938	5,172,331	(8,555,526)	735,753	6,341,496
Total liabilities and fund balance	\$ 11,839,928	\$ 5,172,331	7,671,240	\$ 1,109,751	\$ 25,793,250

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Debt Service	Capital	Other Governmental Funds	Total Governmental Funds
REVENUE:					
Real property taxes	\$ 18,135,499	-	-	\$ 1,034,013	\$ 19,169,512
Nonproperty taxes	1,003,128	-	-	-	1,003,128
Charges for services	224,300	-	-	37,955	262,255
Use of money and property	590,355	553,054	-	41,002	1,184,411
Sale of property and compensation for loss	8,597	85,001	-	-	93,598
Miscellaneous local sources	281,423	83,000	-	110,786	475,209
State sources	16,393,693	3,080,732	-	535,050	20,009,475
Federal sources	247,319	-	-	2,161,925	2,409,244
School lunch	-	-	-	403,068	403,068
Gifts and donations	-	-	-	7,479	7,479
Total revenue	<u>36,884,314</u>	<u>3,801,787</u>	<u>-</u>	<u>4,331,278</u>	<u>45,017,379</u>
EXPENDITURES:					
General support	4,280,959	-	-	-	4,280,959
Instruction	23,189,315	-	-	1,941,058	25,130,373
Pupil transportation	886,037	-	-	20,844	906,881
Culture and recreation	-	-	-	951,720	951,720
Employee benefits	6,889,603	-	-	431,190	7,320,793
Debt service	-	3,444,662	-	-	3,444,662
Capital outlay	-	-	8,194,862	-	8,194,862
School lunch	-	-	-	878,098	878,098
Total expenditures	<u>35,245,914</u>	<u>3,444,662</u>	<u>8,194,862</u>	<u>4,222,910</u>	<u>51,108,348</u>

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) revenue over expenditures	1,638,400	357,125	(8,194,862)	108,368	(6,090,969)
OTHER FINANCING SOURCES (USES):					
Transfer to reserves	(1,393,842)	-	-	-	(1,393,842)
Funding of reserves	1,393,842	-	-	-	1,393,842
Interfund transfers out	(327,950)	-	-	(26,757)	(354,707)
Interfund transfers in	26,757	315,000	-	12,950	354,707
Total other financing sources (uses)	<u>(301,193)</u>	<u>315,000</u>	<u>-</u>	<u>(13,807)</u>	<u>-</u>
Excess (deficit) revenue over expenditures and other financing sources (uses)	1,337,207	672,125	(8,194,862)	94,561	(6,090,969)
Fund balance (deficit) - beginning of year, as previously stated	7,161,140	4,500,206	(360,664)	641,192	11,941,874
Prior period adjustment	<u>490,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,591</u>
Fund balance (deficit) - beginning of year, as restated	<u>7,651,731</u>	<u>4,500,206</u>	<u>(360,664)</u>	<u>641,192</u>	<u>12,432,465</u>
Fund balance - end of year	<u>\$ 8,988,938</u>	<u>\$ 5,172,331</u>	<u>\$ (8,555,526)</u>	<u>\$ 735,753</u>	<u>\$ 6,341,496</u>

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ -	\$ 378,735
Cash - restricted	294,001	122,905
Restricted investments	410,386	-
Due from other funds	<u>-</u>	<u>467</u>
 Total assets	 \$ <u>704,387</u>	 \$ <u>502,107</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Agency liabilities	\$ -	\$ 176,288
Extraclassroom activity balances	-	122,905
Due to other funds	<u>-</u>	<u>202,914</u>
 Total liabilities	 -	 502,107
 NET ASSETS:		
Reserved for scholarships	<u>704,387</u>	<u>-</u>
 Total liabilities and net assets	 \$ <u>704,387</u>	 \$ <u>502,107</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, 2007

		<u>Private Purpose Trusts</u>
REVENUE:		
Interest	\$	15,332
Gifts and donations		<u>29,824</u>
Total revenue		45,156
EXPENSES:		
Scholarships		<u>24,890</u>
Excess revenue over expenses		20,266
OTHER FINANCING SOURCES:		
Unrealized gains on investments		<u>69,305</u>
Excess revenue over expenses and other sources		89,571
Net assets - beginning of year		<u>614,816</u>
Net assets - end of year	\$	<u><u>704,387</u></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, 2007

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
ASSETS:				
Cash	\$ 20,532,725	\$ -	\$ -	\$ 20,532,725
Cash - restricted				
State and federal aid receivable	1,784,597	-	-	1,784,597
Taxes and accounts receivable	528,021	-	-	528,021
Other receivables	200,292	-	-	200,292
Due from other funds	2,634,698	-	(2,432,251) (5)	202,447
Prepaid expenses	89,400	-	-	89,400
Inventory	23,517	-	-	23,517
Capital assets, not being depreciated	-	15,746,489 (1)	-	15,746,489
Capital assets, net of accumulated depreciation	-	35,367,904 (1)	-	35,367,904
Total assets	\$ 25,793,250	\$ 51,114,393	\$ (2,432,251)	\$ 74,475,392
LIABILITIES AND NET ASSETS:				
Accounts payable	\$ 175,372	\$ -	\$ -	\$ 175,372
Accrued liabilities	229,693	-	-	229,693
Accrued interest payable	-	598,690 (3)	-	598,690
Due to other funds	2,432,251	-	(2,432,251) (5)	-
Due to other governments	11,580	-	-	11,580
Deferred revenue	581,460	-	(528,021) (4)	53,439
Due to retirement systems	1,655,598	-	-	1,655,598
Bond anticipation notes payable	14,365,800	-	-	14,365,800
Serial bonds payable	-	28,800,000 (2)	-	28,800,000
Compensated absences	-	9,972,946 (2)	-	9,972,946
Total liabilities	19,451,754	39,371,636	(2,960,272)	55,863,118

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

JUNE 30, 2007

(Continued)

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
NET ASSETS:				
Total fund balance/net assets	6,341,496	11,742,757	(528,021)	18,612,274
Total liabilities and balance	\$ 2,579,250	\$ 5,114,393	\$ (2,432,251)	\$ 74,475,392

- (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) Interest is accrued and reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because it is not due and payable in the current period.
- (4) Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities.
- (5) Elimination of interfund receivables and payables.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUE:				
Real property taxes	\$ 19,169,512	\$ -	528,021 (6)	\$ 19,697,533
Non-property taxes	1,003,128	-	-	1,003,128
Charges for services	262,255	-	-	262,255
Use of money and property	1,184,411	-	-	1,184,411
Sale of property and compensation for loss	93,598	(175,000) (6)	-	(81,402)
Miscellaneous local sources	475,209	-	-	475,209
State sources	20,009,475	-	-	20,009,475
Federal sources	2,409,244	-	-	2,409,244
School lunch	403,068	-	-	403,068
Gifts and donations	7,479	-	-	7,479
Total revenue	<u>45,017,379</u>	<u>(175,000)</u>	<u>528,021</u>	<u>45,370,400</u>

EXPENDITURES:				
General support	4,280,959	(94,846) (1)	-	4,186,113
Instruction	25,130,373	(25,185) (1)	-	25,105,188
Pupil transportation	906,881	-	-	906,881
Culture and recreation	951,720	(10,445) (1)	-	941,275
Employee benefits	7,320,793	49,311 (2)	-	7,370,104
Debt service	3,444,662	-	(2,385,000) (3)	1,059,662
			598,690 (5)	1,658,352
Capital outlay	8,194,862	(8,194,862) (1)	-	-
Depreciation	-	1,753,305 (1)	-	1,753,305
School lunch	878,098	-	-	878,098
Total expenditures	<u>51,108,348</u>	<u>(6,522,722)</u>	<u>(1,786,310)</u>	<u>42,799,316</u>

Excess (deficit) revenue over expenditures (6,090,969) (1,258,289) 2,571,084

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
OTHER FINANCING SOURCES (USES):				
Transfer to reserves	(1,393,842)		1,393,842	(4)
Funding of reserves	1,393,842	-	(1,393,842)	(4)
Interfund transfers out	(354,707)	-	354,707	(4)
Interfund transfers in	354,707	-	(354,707)	(4)
	<u>\$ (6,090,969)</u>	<u>\$ (6,697,722)</u>	<u>\$ (1,258,289)</u>	<u>\$ 2,571,084</u>

Excess (deficit) revenue over expenditures
and other financing sources (uses)

- (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 capitalized and 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) 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.
- (5) In the district-wide Statement of Activities, interest is accrued on outstanding bonds and BAN's, whereas in the Statement of Revenue, Expenditures and Changes in Fund Balance an interest expenditure is reported when paid.
- (6) In the district-wide Statement of Activities, the loss on the sale of assets is reported as a special item, whereas in the Statement of Revenue, Expenditures and Changes in Fund Balance, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold.

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 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, 2007, the District was billed \$4,699,603 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.

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.

Capital Projects Fund - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 are reported as taxes receivable and deferred tax revenue.

E. BUDGETARY DATA

1. BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the General 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 which 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, 2007, and therefore, is the only fund required to be presented on the Budgetary Comparison Schedule.

F. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are valued at fair market value as of June 30, 2007.

G. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowings, therefore, unexpended BAN and bond proceeds in the Capital Projects and Debt Service Funds are restricted. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes.

H. 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.

I. 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.

J. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.3 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

K. CAPITAL ASSETS

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, 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

L. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

In the fund statements only, the amount is expensed on a pay-as-you-go basis.

N. 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.

O. OTHER BENEFITS

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

In addition to providing retirement benefits, the District provides post-employment health insurance coverage to its retired employees in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of the insurance premium as an expenditure.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner are in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statements of Net Assets.

Q. 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.

Fund 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 3% of the District's budget for the ensuing fiscal year.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

1. RESERVED FUND BALANCE

a. Reserve for Encumbrances

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. Reserve for Tax Certiorari

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. This reserve is accounted for in the General Fund.

c. Reserve for Employee Benefit Accrued Liability

Reserve for Employment Benefit Accrued Liability is used to reserve funds for the payment of accrued employee benefits 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. This reserve is accounted for in the General Fund.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Reserve

Capital Reserve 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.

e. Reserve for Unemployment Insurance

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 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 and bond proceeds. This reserve is accounted for in the Debt Service Fund.

2. UNRESERVED

General Fund - The amount of \$700,000 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.

R. 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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances were fully collateralized at June 30, 2007.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end consists of \$294,001 in the Private Purpose Trust Fund for scholarships, \$122,905 in the Agency Fund for extraclassroom activities, \$6,170,938 in the Capital Projects Fund for unexpended BAN proceeds and \$4,271,324 in the Debt Service Fund for unexpended bond proceeds.

2. INVESTMENTS

The District has investments donated to scholarship funds. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as registered in the District's name.

	<u>Cost</u>	<u>Market Value</u> <u>June 30, 2007</u>
54 Shares American Telephone and Telegraph, Inc.	\$ 2,820	\$ 54,905
3,527 Shares Putnam Investors Fund, Inc.	27,852	57,248
2,386 Shares JP Morgan Chase	24,319	173,403
352 Shares Lucent Technologies, Inc.	1,141	952
93 Shares Agere Systems	-	143
3,210 Shares Eastman Kodak	200,000	89,334
72 Shares Bank of America	5,452	7,040
638 Shares Verizon	5,498	26,266
31 Shares Ideere	-	<u>1,095</u>
		<u>\$410,386</u>

For the year ended June 30, 2007, the District recognized an unrealized gain of \$69,305.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

3. INTERFUND ACTIVITY BALANCES

Interfund activity at June 30, 2007 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$1,740,312	\$ 457,773	\$ 26,757	\$ 327,950
Public Library Fund	65,829	-	-	-
School Lunch Fund	12,551	94	-	-
Special Aid Fund	-	281,813	12,950	26,757
Capital Projects Fund	-	1,692,571	-	-
Debt Service Fund	816,006	-	315,000	-
Trust and Agency Fund	<u>467</u>	<u>202,914</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,635,165</u>	<u>\$2,635,165</u>	<u>\$ 354,707</u>	<u>\$ 354,707</u>

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

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

	<u>Balance 6/30/06</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/07</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,427,349	\$ -	\$ 175,000	\$ 2,252,349
Construction in progress	<u>5,299,278</u>	<u>8,194,862</u>	<u>-</u>	<u>13,494,140</u>
Total capital assets, not being depreciated	<u>7,726,627</u>	<u>8,194,862</u>	<u>175,000</u>	<u>15,746,489</u>
Capital assets that are depreciated:				
Buildings	54,532,931	79,500	-	54,612,431
Furniture and equipment	<u>2,475,845</u>	<u>50,976</u>	<u>-</u>	<u>2,526,821</u>
Total capital assets, being depreciated	<u>57,008,776</u>	<u>130,476</u>	<u>-</u>	<u>57,139,252</u>
Less accumulated depreciation:				
Buildings	18,801,285	1,616,803	-	20,418,088
Furniture and equipment	<u>1,216,758</u>	<u>136,502</u>	<u>-</u>	<u>1,353,260</u>
Total accumulated depreciation	<u>20,018,043</u>	<u>1,753,305</u>	<u>-</u>	<u>21,771,348</u>
Total capital assets, being depreciated, net	<u>36,990,733</u>	<u>(1,622,829)</u>	<u>-</u>	<u>35,367,904</u>
Governmental activities capital assets, net	<u>\$44,717,360</u>	<u>\$ 6,572,033</u>	<u>\$ 175,000</u>	<u>\$51,114,393</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 New York State Teachers' Retirement System 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>
2007	\$ 485,629	\$1,389,948
2006	422,907	1,019,668
2005	490,457	366,649

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

2. INDEBTEDNESS

SHORT-TERM DEBT

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Interest on short-term debt amounted to \$407,031.

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

		<u>Beginning Balance</u>		<u>Issued</u>		<u>Redeemed</u>		<u>Ending Balance</u>
BAN maturing 11/02/07 at 4.25%	\$	-	-	\$14,365,800	\$	-	-	\$14,365,800

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 \$1,251,321 of expenditures for long-term debt interest.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

- b. The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	<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	\$31,185,000	\$ -	\$2,385,000	\$28,800,000	\$2,455,000
Compensated absences	<u>9,923,635</u>	<u>1,441,018</u>	<u>1,391,707</u>	<u>9,972,946</u>	<u>498,647</u>
 Total long-term Liabilities	 <u>\$41,108,635</u>	 <u>\$1,441,018</u>	 <u>\$3,776,707</u>	 <u>\$38,772,647</u>	 <u>\$2,953,647</u>

- c. The following is a summary of maturity of indebtedness:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2007</u>
Serial Bonds Payable	5/15/03	5/15/18	Variable	\$8,210,000
	12/14/02	6/15/14	Variable	5,565,000
	3/15/04	3/15/19	Variable	<u>15,025,000</u>
Total				<u>\$28,800,000</u>

- d. The following is a summary of maturing debt service requirements for the District's serial bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
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	2,720,000	672,801
2013-2017	12,145,000	2,007,275
2018-2019	<u>3,810,000</u>	<u>211,400</u>
Total	<u>\$28,800,000</u>	<u>\$6,401,213</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Workers' Compensation Plan

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

The District is one of 40 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing 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.

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, 2007 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - FUND BALANCE

A. CHANGES IN GENERAL FUND BALANCE COMPONENTS

The changes in the reserve funds recorded by the District in the General Fund are as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2007</u>
Reserve for Tax Certiorari	\$ 262,450	\$ 10,705	\$ -	\$ 273,155
Reserve for Unemployment Insurance	722,555	25,328	4,260	743,623
Reserve for Employee Benefit Accrued Liability	2,338,047	1,483,219	-	3,821,266
Capital Reserve	771,712	29,231	-	800,943
Reserve for Flex Spending`	<u>4,959</u>	<u>-</u>	<u>4,959</u>	<u>-</u>
	<u>\$4,099,723</u>	<u>\$1,548,483</u>	<u>\$ 9,219</u>	<u>\$5,638,987</u>

NOTE 5 - PRIOR PERIOD ADJUSTMENT

In the current year, we noted that certain capital assets had been excluded from the District's capital assets. The accumulated depreciation was also overestimated on two of the District's buildings that previously had not been appraised. The effect of these adjustments resulted in an increase to net assets of \$6,406,381 in the district-wide Statement of Net Assets.

In the current year, the District had a change in the method they account for the employee retirement system expense. The effect of this adjustment resulted in an adjustment to the general fund by increasing fund balance by \$490,591.

During the year ended June 30, 2007, it was determined that in prior years the liability for compensated absences had not been recognized in the district-wide financial statements in accordance with GAAP. This resulted in an overstatement of net assets on the district-wide Statement of Net Assets in the amount of \$2,338,047.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUE:				
Local sources:				
Real property taxes	\$ 18,017,305	\$ 18,017,305	\$ 18,135,499	\$ 118,194
Nonproperty tax items	900,000	900,000	1,003,128	103,128
Charges for services	82,000	82,000	224,300	142,300
Use of money and property	292,000	292,000	590,355	298,355
Sale of property and compensation for loss	1,500	1,500	8,597	7,097
Miscellaneous	225,000	225,000	281,423	56,423
State sources:				
Basic formula	13,330,015	13,330,015	13,096,069	(233,946)
BOCES	1,697,267	1,697,267	3,138,381	1,441,114
All other state aid	908,957	908,957	159,243	(749,714)
Federal sources	<u>260,000</u>	<u>260,000</u>	<u>247,319</u>	<u>(12,681)</u>
Total revenue	35,714,044	35,714,044	36,884,314	1,170,270
Other sources:				
Funding of reserves	-	-	1,393,842	1,393,842
Transfers in	-	-	26,757	26,757
Appropriated fund balance	<u>2,337,384</u>	<u>2,337,384</u>	<u>-</u>	<u>(2,337,384)</u>
Total revenue and other sources	<u>\$ 38,051,428</u>	<u>\$ 38,051,428</u>	<u>\$ 38,304,913</u>	<u>\$ 253,485</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balances</u>
EXPENDITURES:					
General support:					
Board of education	\$ 9,590	\$ 14,846	\$ 14,046	\$ 800	-
Central administration	220,441	236,897	235,863	1,034	-
Finance	701,818	513,913	480,365	33,548	-
Staff	199,685	208,203	203,335	4,868	-
Central services	3,540,976	3,231,895	2,900,603	331,292	-
Special items	749,616	470,601	446,747	23,854	-
Instruction:					
Instruction, administration, and improvements	1,337,412	1,242,854	1,238,210	4,644	-
Teaching - regular school	13,516,166	12,966,120	12,785,498	180,622	-
Programs for children with handicaps	3,301,964	3,600,252	3,454,822	145,430	-
Occupational education	1,012,400	1,020,500	1,020,500	-	-
Instructional media	2,859,454	3,754,261	3,007,122	747,139	-
Pupil services	1,867,451	1,727,312	1,683,163	44,149	-
Pupil transportation	919,833	899,790	886,037	13,753	-
Employee benefits	7,356,874	7,836,034	6,889,603	1,408	945,023
Debt service - principal	117,748	-	-	-	-
Total expenditures	<u>37,711,428</u>	<u>37,723,478</u>	<u>35,245,914</u>	<u>1,532,541</u>	<u>945,023</u>
Other uses:					
Transfer to reserves	-	-	1,393,842	-	(1,393,842)
Interfund transfers	340,000	327,950	327,950	-	-
Total expenditures and other uses	<u>\$ 38,051,428</u>	<u>\$ 38,051,428</u>	<u>\$ 36,967,706</u>	<u>\$ 1,532,541</u>	<u>\$ (448,819)</u>
Excess revenue over expenditures and other uses			<u>\$ 1,337,207</u>		

See notes to basic financial statements.
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SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2007

	Public Library	School Lunch	Special Aid	Total
ASSETS:				
Cash	\$ 451,310	\$ 206,253	\$ 376	\$ 657,939
State and federal aid receivable	-	31,217	316,960	348,177
Accounts receivable	726	544	468	1,738
Due from other funds	65,829	12,551	-	78,380
Inventory	-	23,517	-	23,517
Total assets	<u>\$ 517,865</u>	<u>\$ 274,082</u>	<u>\$ 317,804</u>	<u>\$ 1,109,751</u>

LIABILITIES AND FUND BALANCE:

Liabilities:				
Accounts payable	\$ 645	-	\$ 3,121	\$ 3,766
Accrued liabilities	20,583	1,094	11,389	33,066
Due to other funds	-	94	281,813	281,907
Due to other governments	-	768	400	1,168
Deferred revenue	12,098	-	21,081	33,179
Due to employees' retirement system	14,496	6,416	-	20,912
Total liabilities	<u>47,822</u>	<u>8,372</u>	<u>317,804</u>	<u>373,998</u>
Fund balance:				
Reserved for encumbrances	17,921	-	259,995	277,916
Undesignated (deficit)	452,122	265,710	(259,995)	457,837
Total fund balance	<u>470,043</u>	<u>265,710</u>	<u>-</u>	<u>735,753</u>
Total liabilities and fund balance	<u>\$ 517,865</u>	<u>\$ 274,082</u>	<u>\$ 317,804</u>	<u>\$ 1,109,751</u>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Public</u>	<u>School</u>	<u>Special Aid</u>	<u>Total</u>
	<u>Library</u>	<u>Lunch</u>		
REVENUE:				
Real property taxes	\$ 1,034,013	\$ -	\$ -	\$ 1,034,013
Charges for services	37,955	-	-	37,955
Use of money and property	32,626	8,376	-	41,002
Miscellaneous local sources	105,286	2,558	2,942	110,786
State sources	13,987	33,659	487,404	535,050
Federal sources	-	531,190	1,630,735	2,161,925
School lunch	-	403,068	-	403,068
Gifts and donations	7,479	-	-	7,479
	<u>1,231,346</u>	<u>978,851</u>	<u>2,121,081</u>	<u>4,331,278</u>

Total revenue	<u>1,231,346</u>	<u>978,851</u>	<u>2,121,081</u>	<u>4,331,278</u>
EXPENDITURES:				
Instruction	-	-	1,941,058	1,941,058
Pupil transportation	-	-	20,844	20,844
Culture and recreation	951,720	-	-	951,720
Employee benefits	152,670	133,148	145,372	431,190
School lunch	-	878,098	-	878,098
	<u>1,104,390</u>	<u>1,011,246</u>	<u>2,107,274</u>	<u>4,222,910</u>
Total expenditures				

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Public</u>	<u>School</u>	<u>Special Aid</u>	<u>Total</u>
	<u>Library</u>	<u>Lunch</u>		
Excess (deficit) revenue over expenditures	126,956	(32,395)	13,807	108,368
OTHER FINANCING SOURCES (USES):				
Interfund transfers out	-	-	(26,757)	(26,757)
Interfund transfers in	-	-	12,950	12,950
Total other financing uses	-	-	(13,807)	(13,807)
Excess (deficit) revenue over expenditures and other financing (uses)	126,956	(32,395)	-	94,561
Fund balance - beginning of year	<u>343,087</u>	<u>298,105</u>	-	<u>641,192</u>
Fund balance - end of year	<u>\$ 470,043</u>	<u>\$ 265,710</u>	<u>\$ -</u>	<u>\$ 735,753</u>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
ANALYSIS OF CHANGE FROM ORIGINAL BUDGET
TO REVISED BUDGET-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Original Budget	\$36,214,045
Additions:	
Encumbrances	<u>1,837,383</u>
Revised Budget	<u>\$38,051,428</u>

BATAVIA CITY SCHOOL DISTRICT
ANALYSIS OF USE OF BEGINNING FUND
BALANCE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

A909 Fund balance as of beginning of year (unreserved)	\$ 1,224,034
Less:	
A599 Appropriated fund balance used for levy of taxes	<u>500,000</u>
Fund balance (undesignated)	<u>\$ 724,034</u>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
JUNE 30, 2007

Project Title	Original Appropriations	Revised Appropriations	Prior Years	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance 06/30/07	
				Current Year	Total			State Aid	Local Sources		
John Kennedy School - Renovation	\$ 10,100,077	\$ 10,100,077	\$ 10,064,435	\$ -	\$ 10,064,435	\$ 35,642	\$ 10,000,000	\$ -	\$ 100,077	\$ 10,100,077	\$ 35,642
Robert Morris School - Renovation	1,083,836	1,083,836	1,435	1,162,810	1,164,245	(80,409)	-	-	-	-	(1,164,245)
Robert Morris School Library - Renovation	482,302	482,302	807	165,102	165,909	316,393	-	-	-	-	(165,909)
Middle School - Renovation	12,799,662	12,799,662	562,202	6,866,950	7,429,152	5,370,510	-	-	-	-	(7,429,152)
High School - Renovation	18,994,385	18,064,543	17,896,405	-	17,896,405	168,138	17,950,000	-	114,543	18,064,543	168,138
Total	\$ 43,460,262	\$ 42,530,420	\$ 28,525,284	\$ 8,194,862	\$ 36,720,146	\$ 5,810,274	\$ 27,950,000	\$ -	\$ 214,620	\$ 28,164,620	\$ (8,555,526)

See independent auditor's report.
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BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2007

	<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	\$13,461,447	\$13,461,447
Non Property Taxes	AT-1199	1,003,128	1,003,128
State Aid	AT-3999	16,393,693	16,393,693
Federal Aid	AT-4999	247,319	247,319
Total Revenue	AT-5999	36,911,071	36,911,071
EXPENDITURES:			
General Support	AT-1999	\$ 4,280,959	\$ 4,280,959
Pupil Transportation	AT-5599	886,037	886,037
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	35,573,864	35,573,864

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2007

Capital assets, net		\$ 51,114,393
Deduct:		
Bond anticipation notes	14,365,800	
Less: unspent BAN proceeds	(6,170,938)	
Short-term portion of bonds payable	2,455,000	
Long-term portion of bonds payable	<u>26,345,000</u>	<u>(36,994,862)</u>
Investment in capital assets, net of related debt		\$ <u>14,119,531</u>

See independent auditor's report.

SECTION C
SUPPLEMENTARY INFORMATION -
FEDERAL FINANCIAL ASSISTANCE

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying 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*	N/A	\$ 62,795
National School Lunch Program	10.555*	N/A	360,627
National School Breakfast Program	10.553*	N/A	<u>107,768</u>
Total U.S. Department of Agriculture			<u>531,190</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 - 2006-2007	84.010*	0021-07-1000	637,267
2005-2006	84.010*	0021-06-1000	216,902
Local Educational Agencies			
Title V of ESEA			
2006-2007	84.298	0002-07-1000	2,912
Education of the Handicapped (Section 611)			
2006-2007	84.027	0032-07-0276	400,439
2005-2006	84.027	0032-06-0276	101,671
ESEA Title IIA			
2006-2007	84.367	0147-07-1000	138,348
2005-2006	84.367	0147-06-1000	58,957
Drug-Free Schools and Communities - Title IV			
2006-2007	84.186	0180-07-1000	13,141
2005-2006	84.186	0180-06-1000	1,341
Handicapped-State Grants - Part B, Education of the Handicapped (Section 619)			
2006-2007	84.173	0033-07-0276	23,054
2005-2006	84.173	0033-06-0276	15,713
Committee on Preschool Education			
Part B, Education of the Handicapped (CPSE)			
2006-2007	84.173	0232-07-0276	14,045
Title IID Enhancing Education			
2006-2007	84.318	0292-07-1000	474
2005-2006	84.318	0292-06-1000	<u>6,471</u>
Total U.S. Department of Education			<u>1,630,735</u>
Total Expenditures of Federal Awards			<u>\$2,161,925</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, 2007

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, 2007
(Continued)

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, 2007, the District received \$62,795 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

SECTION D
INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

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

The President and Members of the
Board of Education of
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 the Batavia City School District (the District), as of and for the year ended June 30, 2007, and have issued our report thereon dated September 27, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item 07-1.

We noted certain matters that we reported to management of Batavia City School District in a separate letter dated September 27, 2007.

This report is intended solely for the information and use of the Board of Education, the audit committee, management, 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
September 27, 2007



**Independent Auditor's 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 of 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, 2007. 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 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, the 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, 2007.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, the audit committee, 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
September 27, 2007

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X no

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none 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 X no

Identification of major programs: CFDA#

Section 611 Program (IDEA) 84.027

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

Auditee qualified as low risk? X yes no

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE

07-1. Funding of Reserves

Condition: The District made an unbudgeted transfer of \$1,396,169 to the employee benefit accrued liability reserve.

Criteria: Education Law requires that all transfers be properly authorized by the Board of Education and the voters.

Effect: The District funded the reserve thereby reducing their unappropriated fund balance.

Recommendation: Obtain proper authorization by the Board of Education and the voters for all transfers during the year.

Response: *The District will review all appropriations during the development of the 2008-09 fiscal year budget process and appropriate the necessary budget for this expenditure in the 2008-09 budget for which the voters will vote on in May 2008.*

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

FINDINGS - FINANCIAL STATEMENT AUDIT

06-1. Computer Controls

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

Criteria: Access controls should be in place so that only the assigned employees have access to the particular module.

Effect: Failure to control and monitor unauthorized access to computer system.

Recommendation: We recommended 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.

Status: No reoccurrence of this finding in the current year.

06-2. Funding of Reserves

Condition: The District made an unbudgeted transfer of \$341,584 to the employee benefit accrued liability reserve.

Criteria: Education Law requires that all transfers be properly authorized by the Board of Education and the voters.

Effect: The District funded the reserve thereby reducing their unappropriated fund balance.

Recommendation: Obtain proper authorization by the Board of Education and the voters for all transfers during the year.

Status: See 07-1.

SECTION E
EXTRACLASSROOM ACTIVITY



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

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 of the Extraclassroom Activity Funds - Cash Basis of Batavia City School District (the District), as of and for the year ended June 30, 2007. 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 of the Extraclassroom Activity Funds - 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, 2007, 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
September 27, 2007

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE OF THE
EXTRACLASSROOM ACTIVITY FUNDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	Balance <u>July 1, 2006</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2007</u>
Class of 2006	\$ 1,530	\$ 200	\$ 1,730	\$ -
Class of 2007	4,551	40,751	45,302	-
Class of 2008	5,139	17,965	15,314	7,790
Class of 2009	3,270	6,638	5,291	4,617
Class of 2010	-	2,257	1,772	485
Batavian	1,671	18,609	16,700	3,580
BHS Student Government	3,981	7,974	7,460	4,495
BHS Ski Club	339	9,111	9,276	174
Sales Lab	316	1,618	1,856	78
Baseball Fund	314	-	313	1
BHS Literary	242	875	900	217
BHS Band	819	2,003	1,969	853
BHS Library	309	-	300	9
BHS Chorus	9,078	2,372	1,579	9,871
BHS Assembly	104	658	319	443
BHS Gymnastics	326	-	326	-
A.P. Fund	666	10,040	10,364	342
National Honor Society	215	3,615	3,716	114
BHS Language Club	93	-	60	33
SADD	180	4,988	4,453	715
Project Graduation	597	3,160	3,005	752
BHS Pages	161	-	161	-
Boys Basketball Club	53	-	53	-
BHS Technology	174	-	172	2
BHS Tennis	466	954	831	589
Tri-M	168	495	243	420
BMS Band	1,225	4,922	3,787	2,360
BMS Chorus	518	-	518	-
BMS Yearbook	2,313	12,762	11,599	3,476
BMS Orchestra	6,231	9,482	7,861	7,852
Subtotal	\$ 45,049	\$ 161,449	\$ 157,230	\$ 49,268

See notes to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE OF THE
EXTRACLASSROOM ACTIVITY FUNDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Balance</u> <u>July 1, 2006</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
Character Education	178	261	367	72
BMS Tech. Club	1,559	-	1,559	-
BMS Assembly	5,681	1,053	700	6,034
BMS Student Council	3,542	11,249	8,858	5,933
BMS Honor Society	1,575	-	180	1,395
BMS AHEAD	1,982	79	948	1,113
7th Grade - Team I	4,023	6,998	7,683	3,338
7th Grade - Team II	2,830	3,579	3,819	2,590
8th Grade - Team I & II	718	4,886	5,447	157
Wall-to-Wall	1,055	-	1,055	-
BMS Book Fair	6	4,232	4,232	6
R. Morris Media	584	-	584	-
R. Morris Student Council	77	1,772	1,186	663
J. Kennedy Media	2,430	3,668	2,952	3,146
J. Kennedy Council	2,083	1,219	1,781	1,521
J. K. Home School Association	10,447	29,145	26,375	13,217
J.K. 5th Grade	300	7,590	7,055	835
Girls Basketball	34	-	34	-
Books Across America	138	-	138	-
BMS Chess Club	28	-	28	-
Varsity Club	797	-	797	-
BHS Scholastic Bowl	639	250	301	588
BMS Drama Club	196	-	196	-
BMS Literacy Magazine	151	11	-	162
High School Production	7,875	7,350	7,921	7,304
INK	56	-	56	-
Girls Volleyball	2,160	3,176	2,821	2,515
Girls Softball	385	220	216	389
Sports Medicine	213	-	213	-
J.V. Football Cheerleaders	1	-	-	1
Jackson Library	12	-	12	-
Subtotal	\$ 51,755	\$ 86,738	\$ 87,514	\$ 50,979

See notes to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE OF THE
EXTRACLASSROOM ACTIVITY FUNDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

	<u>Balance</u> <u>July 1, 2006</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
Jackson Student Council	4,982	923	101	5,804
Robert Morris School	185	-	185	-
Robert Morris 4th Grade	1	-	-	1
BMS 6th South	2,294	9,186	9,905	1,575
BMS 6th North	90	4,749	4,838	1
BMS Ski Club	66	23,954	23,969	51
Pageturners	-	1,947	1,558	389
Step team	-	144	-	144
Art Club	53	123	-	176
Model UN	45	663	654	54
BHS Drama	1,270	1,017	830	1,457
RM School Store	66	997	807	256
FORM	10,237	29,958	29,000	11,195
Interest Checking	998	2,375	1,818	1,555
Subtotal	<u>20,287</u>	<u>76,036</u>	<u>73,665</u>	<u>22,658</u>
Subtotal (E3)	45,049	161,449	157,230	49,268
Subtotal (E4)	<u>51,755</u>	<u>86,738</u>	<u>87,514</u>	<u>50,979</u>
 Total	 <u>\$ 117,091</u>	 <u>\$ 324,223</u>	 <u>\$ 318,409</u>	 <u>\$ 122,905</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 Agency Fund in the District's statement of net assets - fiduciary funds at June 30, 2007.

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, 2007

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 and donations. 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, 2007

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.

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.