

OFFICIAL STATEMENT

NEW ISSUE

REVENUE ANTICIPATION NOTES

In the opinion of Bond, Schoeneck & King, PLLC, Utica, New York, Bond Counsel, assuming continuing compliance by the School District with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is not includable in the gross income of the owners therefor for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision therein (including The City of New York). See "TAX EXEMPTION" herein for discussion of certain Federal taxes applicable to corporate owners of the Notes.

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$9,975,000

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

ONEIDA COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$9,975,000 Revenue Anticipation Notes, Series 2006A

Dated: June 23, 2006

Due: June 22, 2007

(referred to herein as the "Notes")

The Notes are general obligations of the City School District of the City of Utica, Oneida County, New York (the "School District"), all of the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon without limitation as to rate or amount. The Notes are not subject to redemption prior to maturity.

The Notes will be issued as registered Notes and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Notes. Principal and interest will be paid by the School District to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes, as described herein. See "Book-Entry-Only System" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an unqualified legal opinion as to the validity of the Notes of Bond, Schoeneck & King, PLLC, Bond Counsel, of Utica, New York. It is anticipated that the Notes will be available for delivery in New York, New York on or about June 23, 2006.

June 5, 2006

THE SCHOOL DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "MATERIAL EVENT NOTICES" HEREIN.

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

ONEIDA COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

BOARD of EDUCATION

BARBARA KLEIN

President

CARMEN BOSSONE

Vice President

DONALD DAWES
DIANE DIMEO
D. VICTOR PELLEGRINO, ESQ
LOUIS D. LAPOLLA
PAMELA R. SCHULLMAN

* * * * *

MARILYN SKERMONT

Superintendent of Schools

VACANT

School District Director of Business & Finance

KIMBERLY POWERS

School District Treasurer

DAVID F. BRUNO

School District Clerk of the Board

DONALD R. GERACE, ESQ.

School District Attorney

FISCAL ADVISORS & MARKETING, INC.

School District Financial Advisors

BOND, SCHOENECK & KING, PLLC

Bond Counsel

No person has been authorized by the City School District of the City of Utica to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City School District of the City of Utica.

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PREPARED WITH THE ASSISTANCE OF

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OFFICIAL STATEMENT

of the

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

ONEIDA COUNTY, NEW YORK

Relating To

\$9,975,000 Revenue Anticipation Notes, Series 2006A

This Official Statement, which includes the cover page and appendices, has been prepared by the City School District of the City of Utica, Oneida County, New York (the "School District", "County", and "State", respectively) in connection with the sale by the School District of \$9,975,000 principal amount of Revenue Anticipation Notes, Series 2006A (referred to herein as the "Notes").

On October 24, 2001 legislation was enacted which alters the payment of state building aid payable to the District. Please see "State Aid" herein, for a further explanation of such legislation.

The factors affecting the School District's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the School District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the School District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated June 23, 2006 and will mature June 22, 2007. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000, or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes.

Principal and interest on the Notes are payable at maturity. Principal and interest will be paid by the School District to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes, as described herein. The Notes may be transferred in the manner described on the Notes and as referenced in certain proceedings of the School District referred to therein.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the School District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the School District. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law, or the School District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office to be named by the School District. The Notes are not subject to redemption prior to their stated final maturity date.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law in anticipation of revenues due from the State during the School District's fiscal year, commencing July 1, 2006 and ending June 30, 2007, and pursuant to a revenue anticipation note resolution duly adopted by the Board of Education. An estimated cash flow forecast is included in this Official Statement.

In the event the aforesaid aid is not received by June 22, 2007, the Notes may be renewed. Revenue anticipation renewal notes may again be renewed in the event such aid has still not been received on the maturity date of such renewal notes. The final renewal of any such revenue anticipation renewal notes must mature no later than June 23, 2008. In the event such aid has not been received by such maturity date, principal of and interest on such notes will be paid from School District monies.

The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "ESTIMATED MONTHLY CASH FLOW"). Such cash flow deficit is the result of mistiming in the receipt of State aid revenues, which receipt is not congruent with the cash flow needs of the School District.

THE SCHOOL DISTRICT

General Information

The City of Utica (the "City"), the boundaries of which are coterminous with the boundaries of the School District, is located in the central part of the State with a land area of 17 square miles.

The City's principal industries are light manufacturing, electronics, data processing and service industries. Locally owned firms are supplemented by divisions of such nationally known corporations as Lucas Aerospace, Special Metals of Allegheny Ludlum Corporation and West End Brewery, maker of Utica Club and Matts beer.

Major highways serving the City are New York State Routes #5, #8, #12 and #49 as well as the New York State Thruway (I-#90). Interstate Routes #81 and #87 provide limited access north-south with connections via Syracuse and Albany short distances away. The City is also served by the Conrail system with switching facilities.

The City, through its Urban Renewal Agency (the “Agency”), developed an 82 acre campus style business park. The Utica Business Park has resulted in the development of about 440,000 square feet of commercial, office and industrial space for 11 businesses. Of the original 82 acres, the Agency has sold all parcels for development.

The Utica Business Park has led to the creation and retention of approximately 1,700 jobs and is at full capacity. Principal tenants of the Utica Business Park include: Xerox, Holiday Inn, AT&T, Metropolitan Insurance, Blue Cross/Blue Shield, Basloe, Levin & Cuccaro, Henry Human Development Corporation and Fleet National Bank.

Population

The current estimated population of the School District is 60,651

Source: School District officials.

Population Trends

	<u>City of Utica</u>	<u>Oneida County</u>	<u>New York State</u>
1960	100,410	264,401	16,782,304
1970	91,611	273,070	18,236,882
1980	75,632	253,466	17,558,072
1990	68,637	250,836	17,990,455
2000	60,651	235,469	18,976,457

Source: United States Census Bureau

Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, is the City of Utica. The figures set below with respect to such City and County is included for information only.

	<u>Per Capita Income</u>		<u>Median Family Income</u>	
	<u>1990</u>	<u>2000</u>	<u>1990</u>	<u>2000</u>
City of:				
Utica	\$ 10,726	\$ 15,248	\$ 26,757	\$ 33,818
County of:				
Oneida	12,227	18,516	32,557	45,341
State of:				
New York	16,501	23,389	39,741	51,691

Note: For 2004 the Per Capital Income for New York State is \$26,844 and the Median Family Income is \$56,556. 2004 figures are not available for the County or City at this time.

Source: U.S. Bureau of the Census.

Major Employers

Some of the major employers located within or in close proximity to the City are as follows:

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Oneida Indian Nation (Turning Stone) ⁽¹⁾	Casino	2,850
Faxton/St. Luke's	Health Care	2,300
Bank of America	Banking	1,544
AFSA Data	Student Loan Processing	1,311
Met Life	Insurance	1,058
Utica City School District	School District	986
United Cerebral Palsy	Social Services	970
Air Force Research Lab	Govt/Technology	904
Utica National Insurance	Insurance	830
City of Utica	Government	800
CONMED CORPORATION	Health Care	770

⁽¹⁾ Located in close proximity to the City.

Source: Chamber of Commerce of Utica.

Recent Economic Developments within the City of Utica (the "City")

Empire Zone

The City is one of seventy-two areas in New York State to be designated as an Empire Zone. The Empire Zone designation provides State and local incentives to help stimulate private investment within distressed sectors of the City.

The City, through its Urban Renewal Agency, has developed an 82-acre campus style business park. The Utica Business Park has resulted in the development of about 440,000 square feet of commercial, office and industrial space for 11 businesses. Of the original 82 acres, the Agency has sold all parcels for development.

The Business Park has led to the creation and retention of approximately 1,700 jobs and is at full capacity. Principal tenants of the Utica Business Park include: Holiday Inn, AT&T, Metropolitan Insurance, Blue Cross/Blue Shield, Basloe, Levin & Cuccaro, Henry Heumann Development Corporation, Bank of America, and Net Test.

Source: City of Utica, Department of Urban and Economic Development

Lockheed Martin and ConMed

In July of 1996, Lockheed Martin shut down its French Road facility, which resulted in a loss of approximately 900 jobs.

The Company's other site, a business park facility employs 90 persons, primarily consisting of high-level engineers and scientific personnel, and has continued to operate at this level.

After the Lockheed Martin Closure, a local Utica company, ConMed has expanded from its Broad Street facility into the former Lockheed-Martin French Road building. ConMed is a leading orthopedic products company that distributes products to hospitals, surgical centers and physician's offices. The business is headquartered in Utica, with facilities nationwide, and is certified to sell products in European markets. ConMed employs 900 people in Central New York and has annual revenues in excess of \$300 million.

Griffiss Business & Technology Park

The former Griffiss Air Force Base, in nearby Rome, New York, was officially realigned as part of a federal base closure program on September 30, 1995. The former Griffiss Air Force Base is now known as the Griffiss Business & Technology Park with redevelopment of the former Air Force installation being directed by the Griffiss Local Development Corporation (“GLDC”).

The Griffiss Park has over 3,900 employees and includes the Air Force Research Laboratory, the Defense Finance Accounting Service Center, and the New York Air National Guard. The current employment numbers reflect 50 businesses housed at the Griffiss Business & Technology Park. These tenants represent over 1,700 employees and occupy over 1.0 million square feet of manufacturing, office, warehousing and community space.

The GLDC is in the process of completing a \$20 million capital improvements program with funding from federal, state and local governments. The capital improvements program demolished nearly 1,000,000 square feet of buildings that were functionally obsolete and renovated 150,000 square feet of buildings that have high reuse potential, and made other infrastructure improvements to help enhance the marketability of the new Griffiss Park. This capital improvements program will also result in the development of a 300-acre industrial park and an 80-acre business development district which are two of the principal land uses proposed in the redevelopment plan that was created in 1994. In addition, the GLDC has a 50,000 square foot shell building that is completed with wall, roof and utilities stubbed to the building. This shell building is currently vacant and available for rent, lease, or purchase.

The GLDC this past year announced the establishment of Empire Air, a MR&O station formerly located in Miami, Florida. The company currently leases approximately 400,000 square feet of space in a hanger complex and has hired 170 full-time employees with plans to hire 330 more by 2007.

In addition, the GLDC continues to work with the Air Force to acquire approximately 1,600 acres that has been declared surplus by the United States Air Force in accordance with the base closure regulations. Title to some of the parcels has been conveyed by the Air Force to GLDC.

The new Rome High School at Griffiss Park is in operation and is fronted by the new NYS DOT highway connecting the Griffiss Park to NYS Route 49.

Air Force Research Laboratory

The Air Force reviewed the Memorandum of Understanding for the Air Force Research Laboratory at Rome project as part of a consolidation project of space and to reduce operating expenses. The project is estimated to cost \$25.8 million and New York State has earmarked \$12 million for the project. The remaining \$13.8 million is expected to come from federal sources. The Memorandum of understanding was executed by all parties and construction has been completed. Although the Laboratory is located within the City of Rome, the City anticipates that it will afford residents employment opportunities.

Recent Urban & Economic Development Efforts

Black River Systems Corp. recently announced the expansion of their engineering firm in Utica’s central business district. Founded in 1997, Black River Systems specializes in design, development, and testing of radar, sonar, infrared, and video sensor systems for government and commercial uses. The firm renovated a vacant office building in 1999, and recently purchased the adjoining building to renovate. This \$1.18MM project will allow the company to increase its workforce 25%.

Over \$10MM has been secured in State and Federal funds for new parking facilities in downtown Utica. The new parking structures and surface lots should alleviate identified parking shortage in critical areas, help reduce vacancy rates in underutilized building, and enhances the economic viability of Utica’s central business district.

The City of Utica, through the Department of Urban & Economic Development, recently commissioned a study of mixed-use, market-rate housing for downtown living alternative, especially among single professionals and empty-nesters. By bringing residents to loft-style apartments and condominiums in downtown, it is anticipated that (i) businesses will follow to serve them (ii) historic, vacant, under-utilized buildings will be re-vitalized, (iii) the property tax base and sales tax bases will be enhanced. Downtown will be a vital place where people can not only work, but also live and play. The City of Utica is developing an incentive package for downtown developers of mixed-use housing which will include tax incentives, special zoning, architectural studies, financing, and parking.

The Gateway Historic Canal District continues to develop with the completion of the Public Safety Campus, elimination of blighted buildings and façade improvements. One of the key elements of the District, the Gateway Urban Industrial Park, is presently being developed. This mini urban industrial park will be located on the site of abandoned public housing, with funds from the sale of the land supporting Utica's Housing Opportunities for People Everywhere IV (HOPE VI) initiative. The City secured \$2MM in EDA grant funds for infrastructure improvements and construction at the site.

Utica also continues work on its Brownfield sites. The City created a brownfield redevelopment corporation and is applying for Brownfield Opportunity Area funding. Several sites within the City are in various stages of discovery, remediation, and marketing. The City's diligent effort on brownfield sites brings property to the tax rolls and improves living conditions for all residents.

The City of Utica is one of seventy-six municipalities in New York State to be designated as an Empire Zone. The Empire Zone designation provides State and local incentives to help stimulate private investment within distressed sectors of the City.

According to 2004 Business Annual Report data, there were 8,803 full time equivalent(FTE) employees working in certified Empire Zone (EZ) businesses. Total investment made in the Utica Empire Zone in 2004 was over \$41 million in public and private funding. The Empire Zone has experienced a steady flow of interest from existing businesses located within the EZ as well as perspective businesses looking to relocate into the EZ. EZ benefits include utility rate reductions, wage tax credits, investment tax credits, sales tax exemptions, NYS Income Tax Reduction Credits and Real Property Tax Refunds.

The Utica Empire Zone encompasses most of the traditional industrial, commercial and retail corridors including: Broad and Oriskany Streets, the Central Business District, the Utica Business Park, North Genesee Street and neighborhood commercial sections located throughout the City.

The City, through its Urban Renewal Agency, has developed an 82-acre campus style business park. The Utica Business Park has resulted in the development of about 440,000 square feet of commercial, office and industrial space for 11 businesses. Of the original 82 acres, the Agency has sold all parcels for development.

The Business Park has led to the creation and retention of approximately 1,700 jobs and is at full capacity. Principal tenants of the Utica Business Park include: Holiday Inn, AT&T, Metropolitan Insurance, Blue Cross/Blue Shield, Basloe, Levin & Cuccaro, Henry Heumann Development Corporation, Fleet Bank, N.A. and NetTest

Source: City of Utica, Department of Urban and Economic Development.

Form of School Government

Subject to the provisions of the State Constitution, the School District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the School District, and any special laws applicable to the School District. Under such laws, there is no authority for the School District to have a charter or adopt local laws.

The legislative power of the School District is vested in the Board of Education of the School District (the "Board" or the "Board of Education"). Each year an election is held within the School District to elect one or more members to the Board. The Board consists of seven members with overlapping five-year terms. Therefore, as nearly as practicable, an equal number of members are elected to the Board each year.

During the first week in July of each year the Board meets for the purpose of reorganization. At that time an election is held by the Board to elect a President and Vice President and to appoint other School District officials including the Superintendent of Schools and the School District Clerk, if necessary.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the School District. However, certain of the financial management functions of the School District are the responsibility of the Superintendent of Schools and the Director of Business & Finance.

Budgetary Procedures

Pursuant to the Education Law, the Board annually prepares or causes to be prepared a tentative budget of the School District for the ensuing fiscal year. The Board causes to be printed or otherwise reproduced at least one hundred copies of the tentative budget. The tentative budget, together with copies thereof, is filed with the Clerk of the Board at least thirty days prior to the beginning of the ensuing fiscal year.

The Education Law requires certain city school districts, including the School District, to submit the proposed annual budget for each school year for approval by the voters of the School District at the annual School District meeting. The Education Law precludes the School District from incurring any liability in excess of the amount approved by the voters at such School District meeting unless otherwise authorized to do so by law. The Education Law authorizes boards of education of certain school districts including the School District, to levy and collect a tax, and to expend same, for ordinary and contingent expenses of such school districts and for teachers' salaries, if the voters fail to vote a sum for same. The budget for the 2005-06 fiscal year was adopted by the qualified voters on May 17, 2005. The budget for the 2006-07 fiscal year was adopted by the qualified voters on May 16, 2006.

Investment Policy

Pursuant to the statutes of the State, the School District is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts or certificates of deposits issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit as those terms are defined in law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, tax anticipation notes or revenue anticipation notes issued by any New York municipality, school district or district corporation, other than the School District; (6) obligations of New York public benefit corporations which are made lawful investments by the School District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State as those terms are defined in law; or (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) Special time deposits; (2) Certificates of Deposits; (3) Obligations of the United States of America; (4) Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are further guaranteed by the United States of America; (5) Obligations of the State; (6) Obligations (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the School District; (7) Obligations of certain public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entitles or whose specific enabling legislation authorizes such investments; (8) Certificates of participation issued pursuant to General Municipal Law Section 109-(b); (9) Obligations of this School District, but only with regard to monies in a reserve fund established pursuant to General Municipal Law Sections 6-d, 6-j, 6-m, 6-n; and (10) Repurchase agreements authorized subject to the following restrictions: a) Repurchase agreements must be entered into subject to a master repurchase agreement; b) Trading partners are limited to banks or trust companies authorized to do business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; c) Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America; d) No substitution of securities will be allowed; and e) The custodian shall be a party other than the trading partner.

State Aid

The School District receives substantial financial assistance from the State. In its budget for the 2005-06 fiscal year, approximately 68.83% of the revenues of the School District are estimated to be received in the form of State aid. In its budget for the 2006-07 fiscal year, approximately 69.11% of the revenues of the School District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, as was the case this fiscal year, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the School District. No assurance can be given that present State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions are likely. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the School District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also "MARKET AND RISK FACTORS").

A portion of the School District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the School District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the School District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the School District compared to a State wide average. The School District may elect to use the highest building aid ratio that has been calculated since the 1981-82 fiscal year.

As part of the State's 2001-2002 budget process, a fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The new provisions legislated, among other things, a new "assumed amortization" payout schedule for State building aid payments based on an annual "average interest rate" and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates; however, no assurance can be given as to when and how much building aid the School District will receive in relation to the School District's outstanding bonds.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the School District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity ("CFE") v. New York mandating that the current system of apportionment of state aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

The State failed to enact reforms to the system of school funding by the July 30, 2004 deadline set by the Court of Appeals. As a result, State Supreme Court Justice Leland DeGrasse, who presided at the original trial, named three referees (the "Panel") to study the issues and the proposals presented by CFE and the State and to make recommendations to him by November 30, 2004.

The Panel submitted its report to Justice DeGrasse on November 30, 2004. The Panel recommended that the Supreme Court direct the State to pay to New York City schools a total of \$14.08 billion over the next four years in additional funding and \$9.179 billion over the next five years for capital improvements. As a result, on February 15, 2005, the State Supreme

Court ordered the State to provide New York City schools with an additional \$5.6 billion for operating expenses over four years and \$9.2 billion for facilities improvements. On April 18, 2005 the Governor appealed such ruling. Campaign for Fiscal Equity’s motion to lift the automatic stay was denied on May 3, 2005. On October 11, 2005, the appeal in this case was heard by the Appellate Division. On March 23, 2006 the Appellate Division modified the decision of the Supreme Court ordering the State to provide New York City schools with additional state aid between \$4.7 billion and \$5.6 billion for operating expenses over four years and \$9.2 billion for facilities improvements by April 1, 2006. The Governor has not indicated whether the State will appeal such decision. In any event, the outcome of this matter will not affect the validity of any obligations issued by the School District, including the Notes, nor the ability of the School District to levy taxes on the taxable real property in the School District to pay the Notes and the interest thereon as the same shall become due and payable.

In light of the State’s reported current fiscal condition, additional State aid to the New York City school system could result in reductions of State aid to school districts outside New York City. The School District is not able to predict whether such reductions will occur, or should they occur, whether they will be material to the finances of the School District. The State has a Constitutional duty to maintain and support a system of free common schools that provide a “sound basic education” to children of the State. It remains for the courts to determine the parameters of such an education.

STAR Aid payments for the 2005-06 fiscal year were received in the following percentages; 35% in October, 2005, 35% in November, 2005, 10% in December, 2005 and 20% in January, 2006. Adjustment payments were made in March 2006. See “STAR – School Tax Exemption” herein.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School Districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household incomes not exceeding \$63,750 (adjusted annually) are eligible to receive a minimum “full value” exemption of \$50,000. Other homeowners are eligible to receive a minimum “full value” exemption of \$30,000 on their primary residence.

\$9,089,913 of the District’s \$26,397,469 2005-06 school tax levy was exempted by the STAR Program. The District anticipates that approximately \$9,100,000 of the 2006-07 school tax levy will be exempted by the STAR Program. For a description of the State’s STAR Aid payment schedule see “State Aid” herein.

School Facilities

The School District presently operates nine elementary schools, two middle schools, one high school and one alternative education school.

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year Originally Built</u>
Albany	K-5	669	1896, 1909, '59, '90, '03
Columbus	K-5	829	1957, '68, '90, '03
General Herkimer	K-5	654	1960, '70, '91, '03
Hughes	K-5	786	1925, '03
Jefferson	K-5	639	1958, '91, '03
Jones	K-5	654	1936, '53, '57, '70, '90, '03
John F. Kennedy	6-9	1,170	1965, '78, '90
Kernan	K-5	918	1916, '53, '55, '03
M.L. King	K-5	456	1955, '60, '03
Donovan	6-9	1,131	1958, '60, '90
Proctor Senior High	10-12	2,298	1936, '90, '03
Watson Williams	K-5	669	1992
Conkling	Administration	N/A	1924

Source: School District Records.

Enrollment Trends

<u>School Year</u>	<u>Total Enrollment</u>	<u>School Year</u>	<u>Total Projected Enrollment</u>
2001-02	8,595	2006-07	9,250
2002-03	8,855	2007-08	9,250
2003-04	9,078	2008-09	9,250
2004-05	9,250	2009-10	9,250
2005-06	9,350	2010-11	9,250

Source: School District Records.

Employees

The School District currently employs approximately 1,500 full-time persons. The collective bargaining agents that represent them and the dates of expiration of the various collective bargaining agreements are as follow:

<u>Union</u>	<u>Contract Expiration Date</u>
Utica Administrators' Association	6/30/05 ⁽¹⁾
Utica Teachers' Association	6/30/05 ⁽¹⁾
Mohawk Valley Building & Construction Trades Council	6/30/05 ⁽¹⁾
Teamsters Local 182 (Custodial)	6/30/05 ⁽¹⁾
Teamsters Local 182 (Secretarial/Nursing)	6/30/06 ⁽¹⁾
Service Employees International	6/30/04 ⁽¹⁾

⁽¹⁾ Currently under negotiation. The District is unsure when an agreement will be reached with the bargaining units.

Source: School District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the School District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement 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 benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% of gross annual salary towards the cost of retirement programs.

The District's contributions to ERS and TRS for the 2004-05 fiscal year were \$1,046,929 and \$1,866,607 respectively. For the 2005-06 fiscal year, the District's contributions for ERS and TRS were \$880,292 and \$3,181,622 respectively. For the 2006-07 fiscal year, the District's budgeted contributions for ERS and TRS are \$1,179,873 and \$3,594,123 respectively.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The School District does not currently have any early retirement incentive programs.

In the state of New York, historically there has been a state mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and TRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and TRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On July 30, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school districts contribute to the state pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the state has reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changes the date on which local pension contributions are due to the State. Effective immediately, the annual required contribution is due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
- **Pension Cost Amortization-Extension of Payout Period:** The law also extends the ability of municipalities and school districts to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

On September 8, 2004 State Comptroller Alan Hevesi announced that employer contribution rates for ERS for the payments due February 1, 2006 will be 10.7% of payroll. Comptroller Hevesi also announced that the amortization rate for 2005 is 5% for those employers choosing to amortize through ERS, any portion of the 2005 bill in excess of 7% of payroll. The first of 10 installments would be due with the February 2006 payments.

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the School District's employees is not subject to the direction of the School District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the School District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

It should also be noted that the School District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the School District, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

Annual Revenue	Effective for Fiscal Year Ending After:
Greater than \$100 million	December 15, 2006
Between \$10 million and \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. This protection from unilateral reduction of benefits has been extended annually and continued through May 15, 2006 pursuant to Chapter 16 of the Laws of 2005. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 will require municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The School District expects to be in compliance with the requirements of GASB 45 by or before the applicable effective date.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is the County of Oneida. The information set forth below with respect to the County of Oneida is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County of Oneida is necessarily representative of the School District, or vice versa.

	<u>Year Average</u>							
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Oneida County	4.2%	4.1%	3.9%	4.6%	5.3%	5.5%	5.2%	4.8%
New York State	5.7%	5.2%	4.5%	4.9%	6.2%	6.4%	5.8%	5.0%

2006 Monthly Figures

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Oneida County	4.9%	5.2%	4.9%	4.5%	N/A	N/A
New York State	5.2%	5.2%	5.0%	4.7%	N/A	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Other Information

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Notes are to be issued is the Education Law and the Local Finance Law.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the School District.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is July 1 to June 30.

Financial Statements

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2005 and may be found attached hereto as APPENDIX - C to this Official Statement. Copies of the report may also be examined at the School District office. In addition, the State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the School District has complied with the requirements of various State and Federal statutes. Certain financial information of the School District can be found attached as Appendices to the Official Statement.

The School District complies with the Uniform System of Accounts as prescribed for School Districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003 the School District is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The School District's June 30, 2004 financial statements attached as Appendix C to this Official Statement were prepared in accordance with Statement No. 34.

TAX INFORMATION

Valuations

<u>Fiscal Years Ending June 30:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Taxable Assessed						
Valuation	\$ 1,127,478,376	\$ 1,125,402,584	\$ 1,115,788,130	\$ 1,118,645,456	\$ 1,126,580,406	\$ 1,124,286,004
Regular State						
Equalization Rates	97.26%	95.37%	100.00%	100.00%	100.00%	96.00%
Full Valuation Computed						
Using Regular State						
Equalization Rates	\$ 1,159,241,596	\$ 1,180,038,360	\$ 1,115,788,130	\$ 1,118,645,456	\$ 1,126,580,406	\$ 1,171,131,254
Special State						
Equalization Ratios	101.11%	100.62%	100.03%	96.41%	96.75%	97.07%
Full Valuation Computed						
Using Special State						
Equalization Ratios ⁽¹⁾	\$ 1,115,100,758	\$ 1,118,468,082	\$ 1,115,453,494	\$ 1,160,300,234	\$ 1,164,424,192	\$ 1,158,221,906

⁽¹⁾ Special State equalization ratios are used solely for purposes of computing the School District's constitutional debt limit.

Tax Rates Per M (Assessed)

<u>Fiscal Years Ending June 30:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	\$ 18.09	\$ 18.77	\$ 18.93	\$ 21.77	\$ 22.86	\$ 23.43

Tax Collection Procedure

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected in two installments; the first due October 1 and the second due December 1. Uncollected real property taxes are subsequently enforced by the City. An amount representing uncollected real property taxes transmitted to the City for enforcement is paid by the City to the School District no later than the forthcoming April 1.

Tax Levy and Collection Record

<u>Fiscal Years Ending June 30:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Tax Levy ⁽¹⁾	\$ 20,399,836	\$ 21,119,376	\$ 21,119,376	\$ 24,289,990	\$ 25,514,990	\$ 26,397,469
Uncollected-Returned To City	1,806,508	1,924,818	1,797,200	1,216,066	2,343,087	2,154,089
% Uncollected	8.90%	9.12%	8.51%	5.01%	9.18%	8.16%

⁽¹⁾ Gross tax levy prior to adjustments (tax roll additions, shortages, cancellations and refunds). See "Tax Collection Procedure."

Larger Taxpayers for 2005-2006 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
Niagara Mohawk Power Corporation	Utility	\$ 55,882,864
Verizon	Utility	17,021,594
Riverside Enterprises, LLC	Shopping Mall	14,309,987
Senpike Mall Company	Shopping Mall	13,700,000
AMA Properties, LLC	Shopping Center	3,790,000
BG Mohawk Stop, LLC	Shopping Center	3,740,000
Center Green, Inc.	Professional Office Building	3,700,000
Blackburn Properties, LLC	Warehouse	3,538,000
Eton Centers Co.	Shopping Center	3,203,100
Savings Bank of Utica	Financial Institution	3,150,000

The ten largest taxpayers listed above have an estimated total assessed valuation of \$122,035,545 which represents approximately 10.85% of the tax base of the School District.

Additional Tax Information

Real property located in the School District is assessed by the City.

Senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the School District is estimated to be categorized as follows: Residential-65%; Commercial-25%; Utilities-5%; and Manufacturing-5%.

The estimated total annual property tax bill of an \$80,000 market value residential property located in the School District is approximately \$2,750 including City, County and School District taxes.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the School District and the Notes include the following:

Purpose and Pledge. The School District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The School District may contract indebtedness only for a School District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining debt service is utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the School District to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The School District has the power to contract indebtedness for any School District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment roll by the equalization rate established by the State Office of Real Property Services in accordance with applicable State law.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the School District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board of Education, as the finance board of the School District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the School District, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the School District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Bonds	\$ 8,445,000	\$ 8,055,000	\$ 7,635,000	\$ 44,295,000	\$ 54,368,367
Bond Anticipation Notes	4,662,736	34,662,736	34,490,000	25,930,000 ⁽²⁾	0
Other Debt ⁽¹⁾	<u>10,000,000</u>	<u>10,000,000</u>	<u>17,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total Debt Outstanding	<u>\$ 23,107,736</u>	<u>\$ 52,717,736</u>	<u>\$ 59,125,000</u>	<u>\$ 80,225,000</u>	<u>\$ 64,368,367</u>

⁽¹⁾ Represents Revenue Anticipation Notes.

⁽²⁾ Serial bonds and principal reductions were applied to \$16,355,000 of the bond anticipation notes listed above in the 2004 fiscal year. The bond anticipation notes matured July 9, 2004 and therefore the debt is being counted twice for year end purposes.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the School District as of June 1, 2005.

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2005-2018	\$ 52,495,000
<u>Bond Anticipation Notes</u>	---	0
<u>Revenue Anticipation Notes</u>		
Issued June 23, 2005	June 23, 2006	<u>\$ 10,000,000</u> ⁽¹⁾
	Total Indebtedness	<u>\$ 62,495,000</u>

⁽¹⁾ To be retired at maturity with available funds.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 1, 2006:

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios
Five-Year Average Full Valuation of Taxable Real Property	\$ 1,142,436,721	\$ 1,143,373,582
Debt Limit 5% thereof	57,121,836	57,168,679
<u>Inclusions:</u>		
Bonds	\$ 52,495,000	52,495,000
Bond Anticipation Notes	0	0
Revenue Anticipation Notes	<u>10,000,000</u>	<u>10,000,000</u>
Total Inclusions	<u>\$ 62,495,000</u>	<u>\$ 62,495,000</u>
<u>Exclusions:</u>		
Appropriations	\$ 960,000	\$ 960,000
Revenue Anticipation Notes	<u>10,000,000</u>	<u>10,000,000</u>
Total Exclusions	<u>\$ 10,960,000</u>	<u>\$ 10,960,000</u>
Total Net Indebtedness ^{(1) (2)}	<u>\$ 51,535,000</u>	<u>\$ 51,535,000</u>
Net Debt-Contracting Margin	<u>\$ 5,586,836</u>	<u>\$ 5,633,679</u>
The percent of debt contracting power exhausted is	90.22%	90.15%

⁽¹⁾ The School District's constitutional debt limit has been computed using Special Equalization ratios established by the State Board of Real Property Services pursuant to Article 12-B of the Real Property Tax Law. "Conventional" State equalization rates are also established by said State Board, and are used for all other purposes. See "Valuations" under "Tax Information".

⁽²⁾ As noted above, the School District receives State debt service building aid in an amount approximating 85.4% of its outstanding bonded indebtedness. Given the effect of "assumed amortization" provided in Chapter 383 of the Laws of 2001 ("Chapter 383"), no assurance can be given regarding the direct or indirect effect of "assumed amortization" on the net indebtedness of the School District, or the timing or amount of such building aid in connection with school facilities financed with the proceeds of the Bonds. See "State Aid" herein, for a discussion of Part F of Chapter 383.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the School District.

Capital Project Plans

The District has no other capital project plans authorized, nor are any contemplated.

Authorized But Unissued Debt

The School District has no authorized but unissued debt.

Cash Flow Borrowings

The School District annually issues revenue anticipation notes in anticipation of State aid. The School District has issued \$10,000,000 aggregate principal amount Revenue Anticipation Notes against 2003-2004 State Aid dated June 26, 2003 and maturing June 25, 2004, which were paid with available funds. The District has issued \$10,000,000 aggregate principal amount Revenue Anticipation Notes against 2004-2005 State Aid dated June 25, 2004 and maturing June 24, 2005 which were paid with available funds. The District has issued \$10,000,000 aggregate principal amount Revenue Anticipation Notes against 2005-2006 State Aid dated June 23, 2005 and maturing June 23, 2006 which will be paid with available funds at maturity.

The School District has not issued tax anticipation notes in the past and has no future plans to do so.

Bonded Debt Service

A schedule of bonded debt service may be found in APPENDIX - B to this Official Statement.

Estimated Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to contract indebtedness and to levy taxes or cause taxes to be levied on taxable real property in the School District. Outstanding indebtedness is listed as of the close of the last fiscal year of the respective municipalities.

<u>Unit</u>	<u>Outstanding Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>% Within School District</u>	<u>Applicable Net Indebtedness</u>
County of:					
Oneida	\$ 93,025,824	\$ 9,709,187	\$ 83,316,367	25.10%	\$ 20,912,476
City of:					
Utica	47,044,582	3,255,515	43,789,067	100.0%	<u>43,789,067</u>
				Total	\$ 64,701,543

- (1) Bonds and bond anticipation notes, as of close of last respective fiscal year adjusted to include subsequent bond sales, if any.
- (2) Pursuant to applicable constitutional and statutory provisions this indebtedness is deductible from gross indebtedness for debt limit purposes.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of:

As of June 1, 2006

	<u>Amount</u>	<u>Per Capita (a)</u>	<u>Percentage of Full Value (b)</u>
Net Indebtedness (see "Computation of Debt Limit").....	\$ 51,535,000	\$ 849.70	4.45%
Net Indebtedness Plus Net Overlapping Indebtedness (c).....	113,236,543	1,916.48	9.98%

- (a) The current estimated population of the District is 60,651.
- (b) The District's full value of taxable real estate for 2005-06 is \$1,158,221,906 using Special State Equalization Ratios.
- (c) Estimated net overlapping indebtedness is \$64,701,543. See "Estimated Overlapping Indebtedness."

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to School Districts, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the School District.

LITIGATION

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District.

MATERIAL EVENT NOTICES

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the School District has agreed to provide, or cause to be provided, during the period in which the Notes are outstanding, in a timely manner, to (i) each nationally recognized municipal securities information repository ("NRMSIR") designated by the Commission in accordance with the Rule, or to the Municipal Securities Rulemaking Board ("MSRB"), and (ii) to the New York State information depository, if New York creates a depository ("SID"), notice of the occurrence of any of the following events with respect to the Notes, if such event is material:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financial difficulties

- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes
- (g) modifications to rights of Noteholders
- (h) bond calls
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Notes; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

A Material Event Notices Certificate to this effect shall be provided to the purchaser at closing.

The School District is in compliance with all prior undertakings pursuant to the Rule, to the extent any such undertakings have been made.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. These requirements include provisions which prescribe yield and other limits relative to the investment and expenditures of the proceeds of the Notes and other amounts and require that certain earnings be rebated to the federal government. The School District will agree to comply with certain provisions and procedures, pursuant to which such requirements can be satisfied. Non-compliance with such requirements may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which non-compliance is ascertained.

Interest on the Notes will be included in the computation of "adjusted current earnings", which may be included in the computation of the alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of the United States branch of a foreign corporation is income that would be effectively connected with the United States trade or business if such income were taxable, such as the interest on the Notes. Existing United States income tax treaties may modify, reduce, or eliminate the branch profits tax, except in cases of treaty shopping.

The Code further provides that interest on the Notes is includable in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits is to be included in taxable income of individuals. In addition, certain S Corporations may have a tax imposed on passive income, including tax-exempt interest, such as interest on the Notes.

Prospective purchasers should consult their tax advisors with respect to the calculations of the alternative minimum tax, environmental tax or foreign branch profits tax liability, and the tax on passive income of S Corporations or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Bond Counsel, assuming compliance with certain requirements of the Code, under existing laws, interest on the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations provided, however, interest on the Notes will be includable in the calculation of the alternative minimum tax imposed on corporations by the Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The opinion of Bond Counsel described herein with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. There can be no assurance that the Code will not be amended in the future so as to reduce or eliminate such favorable Federal income tax treatment on the Notes. Any such future legislation would have an adverse effect on the market value of the Notes.

In addition, in the opinion of Bond Counsel, under existing laws, interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Utica, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the School District, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, (ii) the School District and the Notes are included within the protections afforded holders of the Notes set forth in New York State Finance Law Section 99-b. In the event of a default in the payment of the Notes, Section 99-b provides that the allotment, apportionment and payment of State aid and assistance pursuant to the New York Education Law to the School District shall be withheld by the State and paid to the holders of the Notes upon the procedures set forth in Section 99-b, (iii) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York; and (iv) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions of Bond Counsel set forth in (iv) above are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases.

RATING

The Notes are not rated, however Moody's Investors Service, Inc. ("Moody's") has given the District's outstanding Bonds a rating of "Baa3 Underlying" and "Baa2 Enhanced". Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, Inc., 99 Church Street - 9th Floor, New York, New York 10007, Phone: (212) 553-0038, Fax: (212) 553-1390. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the School District management's beliefs as well as assumptions made by, and information currently available to, the School District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the School District's files with the repositories. When used in School District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the School District also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The School District will act as Paying Agent for the Notes. The School District contact information is as follows: Treasurer, Administration Building, at Conkling School, 1115 Mohawk Street, Utica, New York 13501-3709, Phone: (315) 792-2225, Fax: (315) 792-2299.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the City School District of the City of Utica.

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

Dated: June 5, 2006

BARBARA KLEIN
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>ASSETS</u>			
Unrestricted Cash	\$ 16,940,807	\$ 18,346,186	\$ 9,849,375
Restricted Cash	12,296	13,879	65,078
Accounts Receivable	7,300,396	7,113,986	2,428,869
Due from Other Funds	10,738,007	17,257,835	4,801,999
Due from Other Governments	0	109,700	88,412
Prepaid Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 34,991,506</u>	<u>\$ 42,841,586</u>	<u>\$ 17,233,733</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Accounts Payable	\$ 398,131	\$ 1,174,309	\$ 1,214,772
Accrued Liabilities	2,045,800	2,921,180	3,182,372
Revenue Anticipation Notes	25,400,000	10,000,000	10,000,000
Due to Other Funds	6,405,603	26,348,363	0
Due to Other Governments	0	602,317	254,874
Due to Teachers' Retirement System	387,751	0	(5,041)
Deferred Revenues	<u>144,724</u>	<u>0</u>	<u>38,890</u>
TOTAL LIABILITIES	<u>34,782,009</u>	<u>41,046,169</u>	<u>14,685,867</u>
<u>FUND EQUITY</u>			
Reserved:			
	\$ 3,817	\$ 15,948	\$ 184,168
Unreserved:			
Appropriated	0	0	800,000
Unappropriated	<u>205,680</u>	<u>1,779,469</u>	<u>1,563,698</u>
TOTAL FUND EQUITY	<u>209,497</u>	<u>1,795,417</u>	<u>2,547,866</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 34,991,506</u>	<u>\$ 42,841,586</u>	<u>\$ 17,233,733</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
REVENUES				
Real Property Taxes	\$ 20,388,435	\$ 21,028,415	\$ 14,102,900	\$ 16,380,503
Other Real Property Tax Items	440,744	505,232	7,555,456	8,648,874
Nonproperty Taxes	2,754,340	2,504,981	2,688,464	2,521,691
Charges for Services	63,548	31,436	75,047	188,481
Use of Money & Property	431,230	454,710	167,717	375,492
Sale of Property and Compensation for Loss	78,248	87,611	244,103	140,365
Miscellaneous	589,280	253,697	1,021,546	880,144
Interfund Revenues	327,317	178,242	216,495	186,293
Revenues from State Sources	46,834,784	47,646,038	52,314,176	52,479,716
Medicaid Reimbursement	0	0	222,216	1,205,278
Revenues from Federal Sources	906,632	967,745	19,820	0
Total Revenues	<u>\$ 72,814,558</u>	<u>\$ 73,658,107</u>	<u>\$ 78,627,940</u>	<u>\$ 83,006,837</u>
Other Sources:				
Interfund Transfers	<u>275,000</u>	<u>619,920</u>	<u>0</u>	<u>0</u>
Total Revenues and Other Sources	<u>73,089,558</u>	<u>74,278,027</u>	<u>78,627,940</u>	<u>83,006,837</u>
EXPENDITURES				
General Support	\$ 8,113,185	\$ 8,758,256	\$ 9,299,290	\$ 9,550,008
Instruction	45,727,874	49,859,168	50,850,175	49,612,387
Pupil Transportation	3,838,862	4,119,293	4,265,705	4,421,769
Community Services	0	6,767	3,711	38
Employee Benefits	9,440,601	12,319,174	11,702,883	14,141,787
Debt Service	236,750	549,575	1,350,510	607,004
Capital Outlay	0	0	0	58,687
Total Expenditures	<u>\$ 67,357,272</u>	<u>\$ 75,612,233</u>	<u>\$ 77,472,274</u>	<u>\$ 78,391,680</u>
Other Uses:				
Interfund Transfers	<u>5,197,400</u>	<u>828,963</u>	<u>1,074,759</u>	<u>3,029,237</u>
Total Expenditures and Other Uses	<u>72,554,672</u>	<u>76,441,196</u>	<u>78,547,033</u>	<u>81,420,917</u>
Excess (Deficit) Revenues Over Expenditures	<u>534,886</u>	<u>(2,163,169)</u>	<u>80,907</u>	<u>1,585,920</u>
FUND BALANCE				
Fund Balance - Beginning of Year	1,756,873	2,291,759	128,590	209,497
Prior Period Adjustments (net)	0	0	0	0
Fund Balance - End of Year	<u>\$ 2,291,759</u>	<u>\$ 128,590</u>	<u>\$ 209,497</u>	<u>\$ 1,795,417</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	<u>2005</u>	
	Amended <u>Budget</u>	<u>Actual</u>
<u>REVENUES</u>		
Real Property Taxes	\$ 16,654,476	\$ 16,634,875
Other Real Property Tax Items	9,486,081	9,342,450
Nonproperty Taxes	2,600,000	2,818,130
Charges for Services	12,000	87,901
Use of Money & Property	227,000	271,362
Sale of Property and Compensation for Loss	125,000	233,214
Miscellaneous	430,000	566,653
Interfund Revenues	150,000	83,418
Revenues from State Sources	60,973,118	58,887,982
Medicaid Reimbursement	865,948	1,121,223
Revenues from Federal Sources	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 91,523,623</u>	<u>\$ 90,047,208</u>
Other Sources:		
Interfund Transfers	<u>0</u>	<u>2,250,000</u>
Total Revenues and Other Sources	<u>91,523,623</u>	<u>92,297,208</u>
<u>EXPENDITURES</u>		
General Support	\$ 10,751,050	\$ 10,464,490
Instruction	53,211,364	52,817,353
Pupil Transportation	4,941,903	4,941,174
Community Services	0	0
Employee Benefits	16,897,591	15,791,591
Debt Service	5,721,715	1,596,846
Capital Outlay	<u>0</u>	<u>11,433</u>
Total Expenditures	<u>\$ 91,523,623</u>	<u>\$ 85,622,887</u>
Other Uses:		
Interfund Transfers	<u>0</u>	<u>5,921,872</u>
Total Expenditures and Other Uses	<u>91,523,623</u>	<u>91,544,759</u>
Excess (Deficit) Revenues Over Expenditures	<u>0</u>	<u>752,449</u>
<u>FUND BALANCE</u>		
Fund Balance - Beginning of Year	0	1,795,417
Prior Period Adjustments (net)	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 2,547,866</u>

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending June 30:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	Adopted <u>Budget</u>	Adopted <u>Budget</u>	Adopted <u>Budget</u>	Adopted <u>Budget</u>
<u>REVENUES</u>				
Real Property Taxes	\$ 24,289,990	\$ 25,514,990	\$ 26,397,469	\$ 27,298,207
Real Property Tax Items	420,000	420,000	300,000	337,508
Non-Property Tax Items	2,500,000	2,600,000	2,600,000	2,800,000
Charges for Services	17,000	17,000	17,000	19,819
Use of Money & Property	200,000	200,000	200,000	327,645
Sale of Property and Compensation for Loss	0	0	0	0
Miscellaneous	442,000	377,000	377,000	399,112
Revenues from State Sources	52,744,402	59,168,685	67,674,308	72,221,792
Revenues from Federal Sources	600,000	600,000	600,000	1,000,000
Interfund Transfers	150,000	150,000	150,000	100,000
Total Revenues	\$ 81,363,392	\$ 89,047,675	\$ 98,315,777	\$ 104,504,083
<u>EXPENDITURES</u>				
<u>Administration</u>				
General Support	\$ 1,065,550	\$ 1,170,154	\$ 3,113,119	\$ 3,262,692
Instruction	128,900	128,900	128,900	128,900
<u>Program</u>				
Instruction	49,465,054	52,726,200	54,671,630	56,758,715
Student Transportation	4,312,994	4,624,464	4,865,604	5,454,830
Interfund Transfers	0	0	0	0
Employee Benefits	15,223,310	18,197,050	20,939,918	21,928,987
<u>Capital</u>				
Central Services	6,436,601	7,739,192	8,935,012	10,126,810
Debt Service	4,730,983	4,461,715	6,461,594	6,843,149
Interfund Transfers	0	0	0	0
Employee Benefits	0	0	0	0
Total Expenditures	\$ 81,363,392	\$ 89,047,675	\$ 99,115,777	\$ 104,504,083
Excess (Deficit) Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(800,000)</u>	<u>0</u>
<u>FUND BALANCE</u>				
Fund Balance - Beginning of Year	0	0	800,000	0
Prior Period Adjustments (net)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Source: Budgets of the School District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2006	\$ 2,833,367	\$ 2,503,225.36	\$ 5,336,592.36
2007	3,185,000	2,149,648.76	5,334,648.76
2008	3,310,000	2,017,625.64	5,327,625.64
2009	3,440,000	1,880,230.01	5,320,230.01
2010	3,580,000	1,737,501.26	5,317,501.26
2011	3,725,000	1,588,303.14	5,313,303.14
2012	3,875,000	1,432,532.51	5,307,532.51
2013	4,035,000	1,269,386.26	5,304,386.26
2014	4,205,000	1,099,338.76	5,304,338.76
2015	4,380,000	922,107.51	5,302,107.51
2016	4,580,000	737,333.76	5,317,333.76
2017	4,775,000	543,257.51	5,318,257.51
2018	4,990,000	337,680.01	5,327,680.01
2019	3,455,000	122,443.76	3,577,443.76
TOTALS	\$ 54,368,367	\$ 18,340,614.24	\$ 72,708,981.24

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	1998			1999		
	Reconstruction			Reconstruction		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 60,000	\$ 55,975.00	\$ 115,975.00	\$ 180,000	\$ 148,560.00	\$ 328,560.00
2007	65,000	52,975.00	117,975.00	190,000	139,920.00	329,920.00
2008	70,000	49,725.00	119,725.00	195,000	130,800.00	325,800.00
2009	70,000	46,155.00	116,155.00	205,000	121,440.00	326,440.00
2010	75,000	42,585.00	117,585.00	215,000	111,600.00	326,600.00
2011	80,000	38,760.00	118,760.00	225,000	101,280.00	326,280.00
2012	85,000	34,680.00	119,680.00	235,000	90,480.00	325,480.00
2013	85,000	30,345.00	115,345.00	245,000	79,200.00	324,200.00
2014	90,000	26,010.00	116,010.00	255,000	67,440.00	322,440.00
2015	95,000	21,420.00	116,420.00	270,000	55,200.00	325,200.00
2016	105,000	16,575.00	121,575.00	280,000	42,240.00	322,240.00
2017	105,000	11,220.00	116,220.00	295,000	28,800.00	323,800.00
2018	115,000	5,865.00	120,865.00	305,000	14,640.00	319,640.00
TOTALS	\$ 1,100,000	\$ 432,290.00	\$ 1,532,290.00	\$ 3,095,000	\$ 1,131,600.00	\$ 4,226,600.00

Fiscal Year Ending June 30th	2001			2004		
	Reconstruction			Elementary and Technology		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 140,000	\$ 147,960.00	\$ 287,960.00	\$ 130,000	\$ 93,256.26	\$ 223,256.26
2007	145,000	139,910.00	284,910.00	135,000	88,056.26	223,056.26
2008	155,000	131,572.50	286,572.50	140,000	82,656.26	222,656.26
2009	160,000	122,660.00	282,660.00	145,000	77,056.26	222,056.26
2010	170,000	113,460.00	283,460.00	150,000	71,256.26	221,256.26
2011	180,000	103,685.00	283,685.00	155,000	65,256.26	220,256.26
2012	190,000	93,335.00	283,335.00	160,000	59,056.26	219,056.26
2013	205,000	82,410.00	287,410.00	165,000	52,656.26	217,656.26
2014	215,000	70,520.00	285,520.00	175,000	46,056.26	221,056.26
2015	225,000	58,050.00	283,050.00	180,000	39,056.26	219,056.26
2016	240,000	45,000.00	285,000.00	185,000	31,856.26	216,856.26
2017	250,000	30,900.00	280,900.00	195,000	24,456.26	219,456.26
2018	265,000	15,900.00	280,900.00	200,000	16,656.26	216,656.26
2019				205,000	8,456.26	213,456.26
TOTALS	\$ 2,540,000	\$ 1,155,362.50	\$ 3,695,362.50	\$ 2,320,000	\$ 755,787.64	\$ 3,075,787.64

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2004			2004		
	Reconstruction of Proctor High School			Reconstruction of Proctor High School		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,270,000	\$ 955,843.75	\$ 2,225,843.75	\$ 55,000	\$ 111,215.63	\$ 166,215.63
2007	1,315,000	903,456.25	2,218,456.25	100,000	70,568.75	170,568.75
2008	1,360,000	849,212.50	2,209,212.50	105,000	66,340.63	171,340.63
2009	1,410,000	793,112.50	2,203,112.50	110,000	61,837.50	171,837.50
2010	1,465,000	734,950.00	2,199,950.00	115,000	57,056.25	172,056.25
2011	1,520,000	674,518.75	2,194,518.75	120,000	52,062.50	172,062.50
2012	1,575,000	611,818.75	2,186,818.75	125,000	46,856.25	171,856.25
2013	1,640,000	546,850.00	2,186,850.00	130,000	41,437.50	171,437.50
2014	1,705,000	479,200.00	2,184,200.00	135,000	35,806.25	170,806.25
2015	1,770,000	408,868.75	2,178,868.75	140,000	29,962.50	169,962.50
2016	1,850,000	335,856.25	2,185,856.25	150,000	23,800.00	173,800.00
2017	1,925,000	259,543.75	2,184,543.75	155,000	17,318.75	172,318.75
2018	2,015,000	177,731.25	2,192,731.25	160,000	10,625.00	170,625.00
2019	2,105,000	92,093.75	2,197,093.75	170,000	3,612.50	173,612.50
TOTALS	\$ 22,925,000	\$ 7,823,056.25	\$ 30,748,056.25	\$ 1,770,000	\$ 628,500.00	\$ 2,398,500.00

Fiscal Year Ending June 30th	2004			2004		
	Elementary and Technology			Purchase of Buses		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 580,000	\$ 417,593.75	\$ 997,593.75	\$ 418,367	\$ 572,820.97	\$ 991,187.97
2007	605,000	393,668.75	998,668.75	630,000	361,093.75	991,093.75
2008	630,000	368,712.50	998,712.50	655,000	338,606.25	993,606.25
2009	660,000	342,725.00	1,002,725.00	680,000	315,243.75	995,243.75
2010	690,000	315,500.00	1,005,500.00	700,000	291,093.75	991,093.75
2011	720,000	287,037.50	1,007,037.50	725,000	265,703.13	990,703.13
2012	755,000	257,337.50	1,012,337.50	750,000	238,968.75	988,968.75
2013	785,000	225,250.00	1,010,250.00	780,000	211,237.50	991,237.50
2014	820,000	191,887.50	1,011,887.50	810,000	182,418.75	992,418.75
2015	860,000	157,037.50	1,017,037.50	840,000	152,512.50	992,512.50
2016	900,000	120,487.50	1,020,487.50	870,000	121,518.75	991,518.75
2017	945,000	82,237.50	1,027,237.50	905,000	88,781.25	993,781.25
2018	990,000	42,075.00	1,032,075.00	940,000	54,187.50	994,187.50
2019				975,000	18,281.25	993,281.25
TOTALS	\$ 9,940,000	\$ 3,201,550.00	\$ 13,141,550.00	\$ 10,678,367	\$ 3,212,467.85	\$ 13,890,834.85

**CITY SCHOOL DISTRICT OF THE CITY OF UTICA
ONEIDA COUNTY, NEW YORK**

ESTIMATED MONTHLY CASH FLOW

(General Fund)

(000's Omitted)

2006-07 CASH FLOW	2007												MONTH TOTAL	
	June	July	August	September	October	November	December	January	February	March	April	May		June
Beginning Balance:	\$8,400	\$(7,160)	\$(9,814)	\$(9,968)	\$(4,603)	\$(1,478)	\$(7,111)	\$(4,873)	\$(2,414)	\$580	\$8,481	\$12,042	\$14,106	\$(7,160)
Receipts:														
Real Property Taxes	-	-	745	5,221	8,153	642	7,294	737	226	-	-	4,280	-	27,298
State Revenues	6,159	-	2,130	6,840	1,700	1,850	1,700	7,320	7,580	13,210	8,640	7,642	7,691	72,462
Other	950	950	950	950	950	950	900	900	900	950	950	950	950	12,200
RAN Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Receipts	\$7,109	\$950	\$3,825	\$13,011	\$10,803	\$3,442	\$9,894	\$8,957	\$8,706	\$14,160	\$9,590	\$12,872	\$8,641	\$111,960
Total Available Cash	\$15,509	\$(6,210)	\$(5,989)	\$3,043	\$6,200	\$1,965	\$2,783	\$4,084	\$6,291	\$14,740	\$18,071	\$24,914	\$22,747	\$104,800
Disbursements:														
Payroll	8,099	943	1,111	3,105	3,952	5,899	4,368	4,239	3,407	3,859	3,804	6,417	8,170	57,372
Warrant	2,100	1,800	2,100	3,000	3,000	2,000	2,200	1,500	1,400	1,500	1,500	1,900	1,900	25,900
Health Insurance	725	725	725	725	725	725	725	725	725	725	725	725	725	9,425
Debt Service	1,345	136	44	816	-	452	363	34	179	175	-	1,767	1,368	6,679
BANs	-	-	-	-	-	-	-	-	-	-	-	-	-	0
RANs	10,400	-	-	-	-	-	-	-	-	-	-	-	-	10,400
RAN Repayment Acct.	-	-	-	-	-	-	-	-	-	-	-	-	10,450	10,450
Total Disbursements	\$22,669	\$3,604	\$3,980	\$7,646	\$7,677	\$9,076	\$7,656	\$6,498	\$5,711	\$6,259	\$6,029	\$10,809	\$22,613	\$120,226
Ending Balance:	\$(7,160)	\$(9,814)	\$(9,968)	\$(4,603)	\$(1,478)	\$(7,111)	\$(4,873)	\$(2,414)	\$580	\$8,481	\$12,042	\$14,106	\$134	\$(15,426)

Note: Proceeds of this issue to be delivered on June 23, 2006.

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

UTICA CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of Education
Utica City School District
Utica, New York**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Utica City School District as of and for the year ended June 30, 2005 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Utica City School 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Utica City School District as of June 30, 2005, and the respective changes in financial position, thereof 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 our report dated August 30, 2005, on our consideration of Utica City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 to 11 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.



GREEN & SEIFERT
Certified Public Accountants, PLLC

**Board of Education
Utica City School District**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Utica City School District's financial statements. The accompanying financial information listed as required supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Utica City School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Green & Seifert

August 30, 2005

Administration's Discussion and Analysis **For the Fiscal Year Ended June 30, 2005**

The Utica City School District (the District) is a K-12 public school district located in Utica, New York. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements. GASB 34 also requires presentation of the Administration's Discussion and Analysis. Administration Discussion and Analysis is intended to be the District's discussion and analysis of the financial results for the fiscal year ended June 30, 2005 based upon currently known facts, decisions, or conditions and both sets of financial statements.

Overview of the Financial Statements

This annual report consists of three parts: Administration'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 fund financial statement concentrates on the District's most significant funds with all other non-major funds listed in total in one column.
- 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.
- The 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 detail 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 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 the Administration's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> * Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> * Statement of fiduciary net assets • Statement of 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; 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 expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net asset includes all of the District's assets and liabilities. All of the current year's revenues and expenses 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 – are 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 services are included here, such as regular and special education, transportation, and administration. Property taxes and State Aid formula 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 and by bond covenants.
- The District establishes other funds to control and to 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 that 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 the scholarship fund and the student activity 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 operations.

Financial Analysis of the District as a Whole (all figures in thousands of dollars)

Figure A-2 Summary of Net Assets (in thousands of dollars)	
Current and Other Assets	\$ 22,925
Capital Assets, net	<u>56,398</u>
Total Assets	<u>79,323</u>
Long-Term Debt Outstanding	57,793
Other Liabilities	<u>18,298</u>
Total Liabilities	<u>76,091</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,030
Restricted	4,440
Unrestricted	<u>(3,238)</u>
Total Net Assets	<u>\$ 3,232</u>
Total Liabilities and Net Assets	<u>\$ 79,323</u>

Figure A-3**Changes in Net Assets from Operating Results (in thousands of dollars)**

Revenues		
		<u>% of Total</u>
Program Revenues		
Charges for Services	\$ 88	0.1%
Operating Grants and Contribution	20,703	18.6%
General Revenues		
Property Taxes	27,014	24.3%
Nonproperty taxes	2,818	2.5%
State Formula Aid	58,888	53.0%
Interest Earnings	82	0.1%
Miscellaneous	<u>1,455</u>	<u>1.4%</u>
Total Revenues	<u>\$111,048</u>	<u>100.0%</u>
Expenses		
General Support	12,586	11.3%
Instruction	87,233	78.2%
Pupil Transportation	5182	4.6%
Debt Service	3,516	3.2%
Miscellaneous	<u>3,099</u>	<u>2.7%</u>
Total Expenses	<u>\$111,616</u>	<u>100.0%</u>
Decrease in Net Assets	<u>\$(568)</u>	

During fiscal year ended June 30, 2005 net assets decreased \$568,000. The significant factors that affected net assets during the year are discussed below.

Depreciation Expense

GASB 34 requires Districts to maintain a record of annual depreciation expenses and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets. For fiscal year ended June 30, 2005, the net increase in accumulated depreciation was \$3,028,831.

Financial Analysis of the District's Funds

Figure A-4 illustrates District Fund Balances.

Figure A-4

Governmental Fund Balances at June 30, 2005 (in thousands of dollars)

	<u>General</u>	<u>School Lunch</u>	<u>Capital Project #1</u>	<u>Capital Project #2</u>	<u>Capital Project #3</u>	<u>Capital Projects Non-Major</u>
Balance	\$2,548	\$(596)	\$210	\$2665	\$565	\$(359)

The District sustains financial health through sound business practices that include budget management. For 2004-2005, the District operations resulted in an unreserved general fund balance of \$2,548,000 of which \$800,000 has been projected for use in the budget.

Capital Project #1 shows a fund balance of \$210,000. This project is close to completion at Proctor High School and will total \$37,000,000 for additions and renovations of that building. Borrowing will be scheduled in accordance with New York State rules and regulations for such borrowings. The specific time of borrowing will be determined based on investment market conditions.

Capital Project #2 shows a fund balance of \$2,665,000. This project is in process for all elementary schools to perform renovations to all 12 school buildings and the administration building. Borrowing will be scheduled in accordance with New York State rules and regulations for such borrowings. The specific time of borrowing will be determined based on investment market conditions.

Capital Project #3 shows a fund balance of \$565,000. This project is in process for all elementary schools to perform renovations to all 15 buildings.

Capital Projects Non-Major shows a negative fund balance of \$359,000. This project is scheduled for completion by the end of 2004-2005 school year. Renovations were performed on 9 elementary schools. Borrowing will be scheduled in accordance with New York State rules and regulations for such borrowings. The specific time of borrowing will be determined based on investment market conditions.

General Fund Budgetary Highlights

Figure A-5 compares the District's performance for the General Fund for both revenues and expenditures.

Figure A-5

General Fund Expenditure and Revenues Analysis for 2004-2005 (in thousands of dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final Actual</u>	Variance	
				<u>Final Budget to Original Bud</u>	<u>Final Act. to Final Budget</u>
<u>Expenses</u>	\$89,648	\$91,524	\$91,295	2.093%	(.03%)
<u>Revenues</u>	\$89,648	\$91,524	\$92,047	2.093%	.57%

Analysis of Change

The District's budget for the 2004-2005 school year experienced the same types of issues that the majority of the districts statewide encountered. Those are as follows:

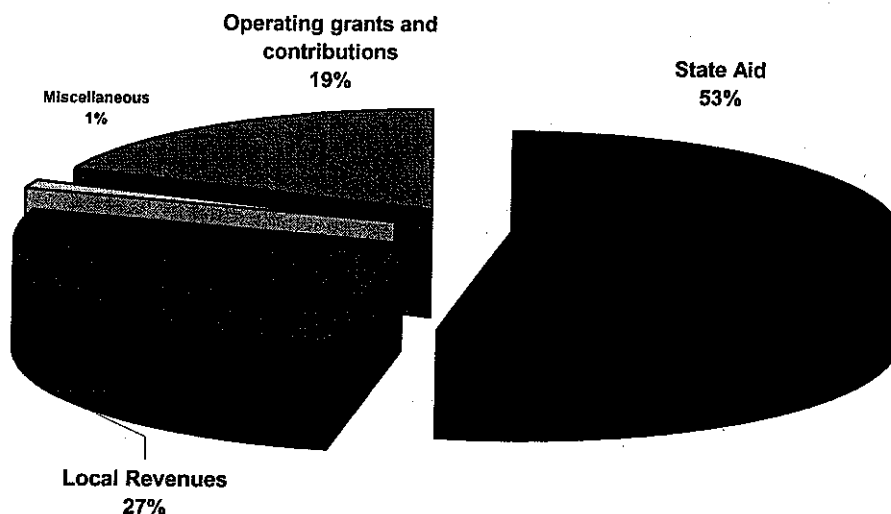
- Contracted obligations with negotiating units have an impact on the majority of general fund expenditures. Increased salaries and a 12% increase in benefits comprise approximately 71% of the budget.
- Expenditures such as health insurance, energy costs, and additional borrowing costs due to construction projects constitute the majority of the increases from the prior year.
- Cost per pupil is one of the lowest in New York State at \$9,784 per pupil (9,350 Pupils) versus the State average of \$13,500.
- Revenues were obtained to support the Board approved increase of \$1.86 million from the original budget to sustain operations. Revenue improvements came out through increases in state aid estimates and reimbursements of \$1.26 million as well as an increase of \$250,000 in Medicaid revenues.
- As the Utica City School District has a population that has a high degree of poverty (Free and Reduced Lunch percentage is 71%) the District relies on State Aid as the primary part of revenue. State Aid formulas are being addressed due to the Court decision made in favor for the Campaign for Fiscal Equity. The District is looking forward to an equal distribution of revenues in the future, as estimates made by the Mid-State Consortium approximates our increase in State Aid at \$14 million.

- The District has commenced a lawsuit against the State of New York for equitable funding for education and anticipates that at least 17 other districts will also participate in the lawsuit.

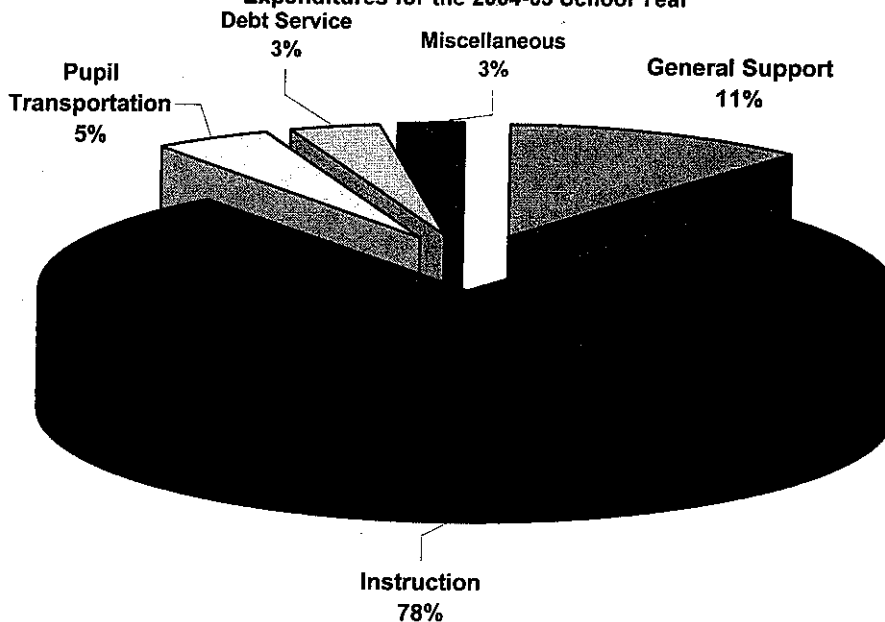
Figure A-6 and A-7 in chart form present in summary where our revenues are obtained and how we expend those revenues.

Figure A-6,A-7

Sources of Revenues for 2004-05 School Year



Expenditures for the 2004-05 School Year



Factors Bearing on the District's Future

As mentioned above, the single most important factor that will affect the Utica City School District will be the equal distribution of the New York State Aid through a revised State Aid formula.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any question about his report or need additional financial information, contact the Finance Office, Utica City School District, 1115 Mohawk Street, Utica, New York 13501.

Utica City School District
Statement of Net Assets
Governmental Activities
June 30, 2005

ASSETS	
Cash	
Unrestricted	\$ 11,837,315
Restricted	1,753,576
Receivables	
State and Federal aid	2,627,430
Due from other governments	3,600,904
Due from fiduciary funds	395,302
Other	2,580,897
Inventories	129,214
Capital assets, net	<u>56,398,040</u>
Total Assets	<u>79,322,678</u>
LIABILITIES	
Payables	
Accounts payable	1,389,111
Accrued liabilities	3,288,606
Due to other governments	972,326
Due to fiduciary funds	10,110
Retainage Payable	598,908
Notes payable	
Revenue anticipation	10,000,000
Deferred credits	
Overpayments and collections in advance	2,000,000
Deferred revenues - other	38,890
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,833,367
Due to teachers' retirement system	261,358
Compensated absences payable	99,440
Workers' compensation payable	231,000
Due and payable after one year	
Bonds payable	51,535,000
Compensated absences payable	1,143,560
Workers' compensation payable	<u>1,689,000</u>
Total Liabilities	<u>76,090,676</u>
NET ASSETS	
Investment in capital assets, net of related debt	2,029,673
Restricted for:	
Cash	1,753,576
Debt Service	1,598,417
Encumbrances	958,979
Inventory	129,214
Unrestricted (deficit)	<u>(3,237,857)</u>
Total Net Assets	<u>\$ 3,232,002</u>

See notes to financial statements

Utica City School District
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2005

	Expenses	Indirect Expenses Allocation *	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ (10,765,590)	\$ (1,820,421)	\$ -	\$ -	\$ (12,586,011)
Instruction	(73,559,801)	(13,672,823)	87,901	18,014,717	(69,130,006)
Pupil transportation	(4,941,174)	(240,730)	-	-	(5,181,904)
Employee benefits	(15,733,974)	15,733,974	-	-	-
Debt service - interest	(3,516,218)	-	-	-	(3,516,218)
School lunch program	(3,148,285)	-	337,503	2,688,425	(122,357)
Other expenditures	48,669	-	-	-	48,669
Total Functions and Programs	\$ (111,616,373)	\$ -	\$ 425,404	\$ 20,703,142	(90,487,827)
GENERAL REVENUES					
Real property taxes					16,634,875
Other tax items					9,342,450
Nonproperty taxes					2,818,130
Use of money and property					315,648
Sale of property and compensation for loss					233,214
State sources					58,887,982
Medicaid reimbursement					1,121,223
Miscellaneous					566,653
Total General Revenues					89,920,175
Change in Net Assets					(567,652)
Total Net Assets - Beginning of year					3,799,654
Total Net Assets - End of year					\$ 3,232,002

Utica City School District
Balance Sheet - Governmental Funds
June 30, 2005

	General	Special Aid	School Lunch	Debt Service	Capital Project #1	Capital Project #2	Capital Project #3	Non-Major	Total Governmental Funds
ASSETS									
Cash	\$ 9,849,375	\$ (261,874)	\$ (126,883)	\$ 83,441	\$ 98,762	\$ -	\$ 1,748,051	\$ 446,443	\$ 11,837,315
Unrestricted Restricted investments	65,078	-	-	-	1,688,498	-	-	-	1,753,576
Receivables	2,285,487	-	-	1,514,976	-	2,789,887	-	-	6,590,350
Due from other funds	2,428,869	-	198,561	-	-	-	-	-	2,627,430
State and Federal aid	88,412	3,512,492	-	-	-	-	-	-	3,600,904
Due from other governments	2,516,512	63,181	1,204	-	-	-	-	-	2,580,897
Other	-	-	129,214	-	-	-	-	-	129,214
Inventories	-	-	-	-	-	-	-	-	-
Total Assets	\$ 17,233,733	\$ 3,313,799	\$ 202,096	\$ 1,598,417	\$ 1,787,260	\$ 2,789,887	\$ 1,748,051	\$ 446,443	\$ 29,119,686
LIABILITIES									
Payables									
Accounts payable	\$ 1,214,772	\$ 173,668	\$ 671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,389,111
Accrued liabilities	3,182,372	68,599	37,635	-	-	-	-	-	3,288,606
Due to other funds	-	2,354,080	760,138	-	1,102,890	-	1,182,652	805,398	6,205,158
Due to other governments	254,874	717,452	-	-	-	-	-	-	972,326
Retainage payable	-	-	-	-	473,892	125,016	-	-	598,908
Due to Teachers' Retirement System	(5,041)	-	-	-	-	-	-	-	(5,041)
Notes payable	-	-	-	-	-	-	-	-	-
Revenue anticipation	10,000,000	-	-	-	-	-	-	-	10,000,000
Deferred credits	-	-	-	-	-	-	-	-	-
Deferred revenues	38,890	-	-	-	-	-	-	-	38,890
Total Liabilities	\$ 14,685,867	\$ 3,313,799	\$ 798,444	\$ -	\$ 1,576,782	\$ 125,016	\$ 1,182,652	\$ 805,398	\$ 22,487,958
FUND BALANCES									
Reserved for encumbrances	184,168	417,347	21,373	-	20,427	-	-	315,664	958,979
Reserved for debt	800,000	-	-	1,598,417	-	-	-	-	1,598,417
Unreserved - Designated for subsequent year's expenditures	1,563,698	(417,347)	(617,721)	-	190,051	2,664,871	565,399	(674,619)	800,000
Unreserved - Undesignated	2,547,866	-	(596,348)	1,598,417	210,478	2,664,871	565,399	(358,955)	3,274,332
Total Fund Balances	\$ 17,233,733	\$ 3,313,799	\$ 202,096	\$ 1,598,417	\$ 1,787,260	\$ 2,789,887	\$ 1,748,051	\$ 446,443	\$ 29,119,686

See notes to financial statements

Utica City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2005

	General	Special Aid	School Lunch	Debt Service	Capital Project #1	Capital Project #2	Capital Project #3	Non-major	Total Governmental Funds
REVENUES									
Real property taxes	\$ 16,634,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,634,875
Other tax items	9,342,450	-	-	-	-	-	-	-	9,342,450
Nonproperty taxes	2,818,130	-	-	-	-	-	-	-	2,818,130
Charges for services	87,901	-	-	-	-	-	-	-	87,901
Use of money and property	271,362	-	-	1,721	31,290	-	3,553	7,722	315,648
Sale of property and compensation for loss	233,214	-	-	-	-	-	-	-	233,214
Interfund revenue	83,418	-	-	-	-	-	-	-	83,418
State sources	58,887,982	5,060,827	117,032	-	-	-	-	-	64,065,841
Medicaid reimbursement	1,121,223	-	-	-	-	-	-	-	1,121,223
Federal sources	-	12,953,890	2,571,393	-	-	-	-	-	15,525,283
Sales - school lunch	-	-	324,155	-	-	-	-	-	324,155
Miscellaneous	566,653	-	13,348	-	-	-	-	-	580,001
Total Revenues	90,047,208	18,014,717	3,025,928	1,721	31,290	-	3,553	7,722	111,132,139
EXPENDITURES									
General support	10,464,490	101,197	-	-	-	-	-	-	10,565,687
Instruction	52,817,553	17,913,520	-	-	-	-	-	-	70,730,873
Pupil transportation	4,941,174	-	-	-	-	-	-	-	4,941,174
Employee benefits	15,791,591	-	194,130	-	-	-	-	-	15,985,721
Debt service	-	-	-	-	-	-	-	-	-
Principal	374,484	-	-	2,375,000	-	-	-	-	2,749,484
Interest	1,222,362	-	-	1,919,372	-	-	-	-	3,141,734
Cost of sales	-	-	1,324,097	-	-	-	-	-	1,324,097
Other expenditures	-	-	1,630,058	-	(48,669)	-	-	-	1,581,389
Capital outlay	11,433	-	1,194	-	(646,571)	61,978	1,120,362	1,372,927	1,921,323
Total Expenditures	85,622,887	18,014,717	3,149,479	4,294,372	(695,240)	61,978	1,120,362	1,372,927	112,941,482
Excess (Deficiency) of Revenues Over Expenditures	4,424,321	-	(123,551)	(4,292,651)	726,530	(61,978)	(1,116,809)	(1,365,205)	(1,809,343)
OTHER FINANCING SOURCES AND USES									
Proceeds from debt	2,000,000	-	-	-	-	11,917,867	-	530,500	14,448,367
Operating transfers in	250,000	-	-	4,294,372	-	-	-	1,627,500	6,171,872
Operating transfers (out)	(5,921,872)	-	-	(250,000)	-	-	-	-	(6,171,872)
Total Other Sources (Uses)	(3,671,872)	-	-	4,044,372	-	11,917,867	-	2,158,000	14,448,367
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	752,449	-	(123,551)	(248,279)	726,530	11,855,889	(1,116,809)	792,795	12,639,024
Fund balance - Beginning of year	1,795,417	-	(472,797)	1,846,696	(516,052)	(9,191,018)	1,682,208	(1,151,750)	(6,007,296)
Fund balance - End of year	\$ 2,547,866	\$ -	\$ (596,348)	\$ 1,598,417	\$ 210,478	\$ 2,664,871	\$ 565,399	\$ (358,955)	\$ 6,631,728

See notes to financial statements

Utica City School District

Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2005

	Private Purpose Trusts	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 244,234	\$ 608,940
Due from governmental funds	10,110	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 254,344</u>	<u>\$ 608,940</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ 395,302
Extraclassroom activity balances	-	103,482
Other liabilities	-	110,156
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>\$ 608,940</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 254,344</u>	

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
For the Year Ended June 30, 2005

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Gifts and contributions	\$ 16,300
Investment earnings	5,318
	<u> </u>
Total Additions	<u>21,618</u>
DEDUCTIONS	
Scholarships and awards	<u>26,050</u>
Change in Net Assets	(4,432)
Net Assets - Beginning of year	<u>258,776</u>
Net Assets - End of Year	<u>\$ 254,344</u>

Utica City School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Cash				
Unrestricted	\$ 11,837,315	\$ -	\$ -	\$ 11,837,315
Restricted	1,753,576	-	-	1,753,576
Receivables				
Due from other funds	6,590,350	-	(6,590,350)	-
Due from fiduciary funds	-	-	395,302	395,302
State and federal aid	2,627,430	-	-	2,627,430
Due from other governments	3,600,904	-	-	3,600,904
Other	2,580,897	-	-	2,580,897
Inventories	129,214	-	-	129,214
Land, buildings and equipment (net)	-	56,398,040	-	56,398,040
Total Assets	\$ 29,119,686	\$ 56,398,040	\$ (6,195,048)	\$ 79,322,678
LIABILITIES				
Payables				
Accounts payable	\$ 1,389,111	\$ -	\$ -	\$ 1,389,111
Accrued liabilities	3,288,606	-	-	3,288,606
Due to other funds	6,205,158	-	(6,205,158)	-
Due to fiduciary funds	-	-	10,110	10,110
Due to other governments	972,326	-	-	972,326
Retainage payable	598,908	-	-	598,908
Due to NYSTRS	(5,041)	266,399	-	261,358
Notes payable				
Revenue anticipation	10,000,000	-	-	10,000,000
Deferred credits				
Overpayments and collections in advance	-	2,000,000	-	2,000,000
Deferred revenues	38,890	-	-	38,890
Bonds payable	-	54,368,367	-	54,368,367
Compensated absences	-	1,243,000	-	1,243,000
Other Liabilities	-	1,920,000	-	1,920,000
Total Liabilities	22,487,958	59,797,766	(6,195,048)	76,090,676
FUND BALANCE/NET ASSETS				
Total Fund Balance/Net Assets	6,631,728	(3,399,726)	-	3,232,002
Total Liabilities and fund balance/net assets	\$ 29,119,686	\$ 56,398,040	\$ (6,195,048)	\$ 79,322,678

Utica City School District
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2005

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 16,634,875	\$ -	\$ -	\$ -	\$ 16,634,875
Other tax items	9,342,450	-	-	-	9,342,450
Nonproperty taxes	2,818,130	-	-	-	2,818,130
Charges for services	87,901	-	-	-	87,901
Use of money and property	315,648	-	-	-	315,648
Sale of property and compensation for loss	233,214	-	-	-	233,214
Interfund revenues	83,418	-	-	(83,418)	-
State sources	64,065,841	-	-	-	64,065,841
Medicaid reimbursement	1,121,223	-	-	-	1,121,223
Federal sources	15,525,283	-	-	-	15,525,283
Sales - school lunch	324,155	-	-	-	324,155
Miscellaneous	580,001	-	-	-	580,001
Total Revenues	111,132,139	-	-	(83,418)	111,048,721
EXPENDITURES/EXPENSES					
General support	10,565,687	-	199,903	-	10,765,590
Instruction	70,730,873	-	2,828,928	-	73,559,801
Pupil transportation	4,941,174	-	-	-	4,941,174
Employee benefits	15,985,721	-	-	(57,617)	15,928,104
Debt service					
Principal	2,749,484	-	-	(2,375,000)	374,484
Interest	3,141,734	-	-	-	3,141,734
Cost of sales	1,324,097	-	-	-	1,324,097
Other expenditures	1,581,389	-	-	-	1,581,389
Capital outlay	1,921,323	-	(1,921,323)	-	-
Total Expenditures	112,941,482	-	1,107,508	(2,432,617)	111,616,373
Excess (Deficiency) of Revenues Over Expenditures	(1,809,343)	-	(1,107,508)	2,349,199	(567,652)
OTHER SOURCES AND USES					
Proceeds from debt	14,448,367	-	-	(14,448,367)	-
Operating transfers in	6,171,872	-	-	-	6,171,872
Operating transfers (out)	(6,171,872)	-	-	-	(6,171,872)
Total Other Sources (Uses)	14,448,367	-	-	(14,448,367)	-
Net Change for the Year	\$ 12,639,024	\$ -	\$ (1,107,508)	\$ (12,099,168)	\$ (567,652)

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1 – Summary of certain significant accounting policies:

The financial statements of the Utica City School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

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.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The district accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint venture:

The District is a component district in Oneida Madison BOCES. A Board of Cooperative Education Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of presentation:

i) 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 taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

ii) 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 non-major 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.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. Inventory of purchase food is stated at cost, determined on first-in-first-out basis.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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

D) 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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.

E) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

F) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2004, and become a lien on December 8, 2004. Taxes are collected during the period October 5, 2004 to December 7, 2004.

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

G) Accounts receivable:

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

H) Inventories and prepaid items:

Inventories of food 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, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

I) Due to/from other funds:

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

J) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2003. For assets acquired prior to June 30, 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.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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	\$5,000	Straight Line	40 Years
Building improvements	5,000	Straight Line	20 Years
Site improvements	5,000	Straight Line	20 Years
Furniture and equipment	5,000	Straight Line	5-15 Years

K) Vested employee benefits:

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

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.

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. For some employees, the cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General fund, in the year paid.

L) Budgetary procedures and budgetary accounting:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Appropriations established by the 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. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Additional State aid was received for \$600,000
Additional Serial Bonds Principal and interest appropriations for \$1,260,000

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

M) Deferred revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence 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 revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

N) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

O) Fund balance – reservations and designations:

The following reserve funds are available to school districts. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Repair Reserve

Repair Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Reserve for Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund.

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General fund.

Reserve for Insurance Recoveries

Reserve for Insurance Recoveries (Education Law §1718(2)) is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. The reserve is accounted for in the General Fund.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Note 2 – Explanation of certain differences between governmental fund statements and District-wide statements:

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the District's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

Total Governmental Fund Balances: \$ 6,631,728

Amounts reported for governmental activities are not financial resources and therefore are not reported in the funds.

The cost of capital assets is	103,991,500
Accumulated depreciation is	<u>(47,593,460)</u>

56,398,040

Long-term liabilities, including bonds payable, compensated absences and Workers' Compensation claims liability, are not due and payable in the current period and therefore are not reported in the funds. Balances - at year-end were:

Collection in advance	(2,000,000)
Bonds payable	(54,368,367)
Teachers retirement system payable	(266,399)
Compensated absences payable	(1,243,000)
Worker's compensation claims liability	<u>(1,920,000)</u>

(59,797,766)

Net assets of governmental activities

\$ 3,232,002

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term accruals arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

Reconciliation of Governmental Funds Operating Statement
and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues and other funding sources of governmental funds	\$ 125,580,506
Bond proceeds	(12,448,367)
Lottery Aid Advance	(2,000,000)
Interfund Revenue	(83,418)
	<hr/>
Total revenues of governmental activities in the Statement of Activities	<u>\$ 111,048,721</u>

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Total Expenditures/Expenses

Total expenditures reported in governmental funds \$ 112,941,482

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year compensated absences (sick days used) of \$1,084,000 was greater than the amounts earned of \$1,243,000. The long-term Workers' Compensation claims liability remained the same in the current year to the amount of \$1,920,000. The Teachers' Retirement System incentive decreased from \$399,598 to \$266,399. Also eliminated School Lunch Employee Benefits of \$83,418 (interfund revenue and expense). (57,617)

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation of \$2,947,456 exceeded capital expenditures of \$293,823 in the current year. 1,107,508

Bond payments (2,375,000)

Total expenses of governmental activities \$ 111,616,373

Note 3 – Stewardship and compliance:

The District made interfund transfers during the year, which exceeded amounts provided in the District's budget.

Note 4 – Custodial credit, concentration of credit, interest rate and foreign currency risk:

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. Governmental Accounting Standards Board Statement # 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

- A) Insured or collateralized with securities held by the District or by its agent in the District's name, or
- B) Collateralized with securities held by the pledging financial institution's trust department or agency in the District's name, or
- C) Uncollateralized

Total financial institution bank balances at year-end, per the bank, were approximately \$16,043,000. These deposits are insured or collateralized with securities held by the financial institution in the School District's name.

Note 5 – Participation in BOCES

During the year, the District was billed \$ 10,011,744 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$ 4,573,764.

Financial statements for the BOCES are available from the BOCES administrative office.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 6 – Capital assets:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,045,000	\$ -	\$ -	\$ 1,045,000
Construction in progress	11,332,732		(809,667)	10,523,065
Total nondepreciable historical cost	12,377,732	-	(809,667)	11,568,065
Capital assets that are depreciated:				
Buildings	64,360,407	2,718,363		67,078,770
Site Improvements	2,363,422			2,363,422
Furniture and equipment	22,968,616	12,627		22,981,243
Total depreciable historical cost	89,692,445	2,730,990	-	92,423,435
Less accumulated depreciation:				
Buildings	24,901,481	1,477,523		26,379,004
Site Improvements	1,930,838	97,436		2,028,274
Furniture and equipment	17,732,310	1,453,872		19,186,182
Total accumulated depreciation	44,564,629	3,028,831	-	47,593,460
Net historical cost	\$ 57,505,548	\$ (297,841)	\$ (809,667)	\$ 56,398,040

Depreciation expense was charged to governmental functions as follows:

Administrative services	\$ 9,206
Regular instruction	2,278,715
Special education instruction	664,235
Pupil services	5,672
Operating & maintenance of plant	71,003
	\$ 3,028,831

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 7 – Related party transactions:

The District does not have any Related Party Transactions.

Note 8 – Short-term debt:

The District may issue Revenue Anticipation Notes and Tax Anticipation Notes, in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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 paid and expensed on short-term debt for the year was approximately \$ 783,000.

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

	Beginning Balance	Issued	Redeemed	Ending Balance
RAN maturing 6/24/05 at 3.50%	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
BAN maturing 9/24/04 at 2.00%	9,575,000	-	9,575,000	-
BAN maturing 7/9/04 at 1.50%	16,355,000	-	16,355,000	-
RAN maturing 6/23/06 at 4.00%	-	10,000,000	-	10,000,000
Total Short-term debt	\$ 35,930,000	\$ 10,000,000	\$ 35,930,000	\$ 10,000,000

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 9 – Long-term debt:

Interest paid and expensed on long-term debt for the year was approximately \$1,919,000.

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial Bonds	\$ 44,295,000	\$ 12,448,367	\$ 2,375,000	\$ 54,368,367	\$ 2,833,367
Total long-term liabilities	\$ 44,295,000	\$ 12,448,367	\$ 2,375,000	\$ 54,368,367	\$ 2,833,367

The following is a summary of the maturity of long-term indebtedness:

June 15, 1998	1,460,000	6/30/2018	5.00% to 5.10%	1,100,000
March 15, 1966	4,300,000	6/30/2018	4.80%	3,095,000
February 15, 2000	3,090,000	6/30/2018	5.75% to 6.00%	2,540,000
February 1, 2004	2,445,000	2/1/2019	4.00% to 4.20%	2,320,000
May 1, 2004	24,155,000	5/1/2019	4.125% to 4.375%	22,925,000
June 15, 2004	10,500,000	6/15/2019	4.125% to 4.25%	9,940,000
July 1, 2004	1,770,000	7/1/2018	4.125%-4.25%	1,770,000
September 15, 2004	10,678,367	9/15/2018	3.5%-3.75%	10,678,367
			Total	\$ 54,368,367

	Due	Principal	Interest	Total
2006		\$ 2,833,367	\$ 2,503,227	\$ 5,336,594
2007		3,185,000	2,149,649	5,334,649
2008		3,310,000	2,017,626	5,327,626
2009		3,440,000	1,880,231	5,320,231
2010		3,580,000	1,737,502	5,317,502
2011-2015		20,220,000	6,311,669	26,531,669
2016-2020		17,800,000	1,740,716	19,540,716
		\$ 54,368,367	\$ 18,340,620	\$ 72,708,987

Other Liabilities:

Advances

During 2005, the District through legislative action of the State of New York was granted an advance of future lottery aid of \$2 million. An amount equal to the product of \$2 million and the quotient of the positive difference of thirty minus the number of school years elapsed since the 2004-05 school year divided by thirty will be available each year, thereafter.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Compensated absences

For the years 2004-05 and 2003-04, the amounts of compensated absences were \$1,243,000 and \$1,084,000, respectively.

Note 10 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 2,285,487	\$ -	\$ 250,000	\$ 5,921,872
Special Aid Fund	-	2,354,080	-	-
School Lunch Fund	-	760,138	-	-
Debt Service Fund	1,514,976	-	4,294,372	250,000
Capital Funds	2,789,887	3,090,940	1,627,500	-
Total governmental activities	6,590,350	6,205,158	6,171,872	6,171,872
Fiduciary Agency Fund	10,110	395,302	-	-
Totals	\$ 6,600,460	\$ 6,600,460	\$ 6,171,872	\$ 6,171,872

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

Note 11 – Pension plans:

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). 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.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS 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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2004-2005	2,647,788	1,046,222
2003-2004	1,398,299	389,692
2002-2003	244,958	80,355

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The District exercised that option. There was no unpaid liability at the end of the year.

Note 12 – Post-employment benefits:

Post-employment benefits, primarily health care, aggregated \$ 4,511,587 for approximately 694 retired employees for the year.

Note 13 – Risk management:

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

1. **Workers' Compensation**

The Utica City School District assumes all risk associated with its workers' compensation plan. During the year ended June 30, 2005, the School District expended approximately \$ 708,000 on workers' claims. The School District also estimates a liability in the Long Term Debt Group of Accounts for the unbilled and open claims of approximately \$ 1,920,000.

Utica City School District
Notes to Financial Statements
For the Year Ended June 30, 2005

2. Health Claims

The School District began a self-funded health insurance plan for employees as of July 1, 2000. For the School District's health insurance plan, the School District has aggregate and specific excess loss insurance. During the year ended June 30, 2005, the School District expended approximately \$ 8,691,000.

Note 14 – Fund balances:

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

Note 15 – Donor-restricted endowments:

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships.

Donor-restricted endowments are reported at fair value. The amount of net appreciation on investments of donor-restricted endowments that is available for authorization for expenditure by the District is approximately \$40,000.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

Note 16 – Contingencies and commitments:

The District has received grants, which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the district's administration believes disallowances, if any, will be immaterial.

The District does not accrue a liability for accumulating, nonvesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, nonvesting sick leave is considered a contingent liability. The District reports \$159,000 for accumulating, nonvesting sick leave.

Note 17 – Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computations of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Utica City School District
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund
For the Year Ended June 30, 2005

	Original Budget *	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	\$ 16,654,476	\$ 16,654,476	\$ 16,634,875		\$ (19,601)
Other tax items	9,341,081	9,486,081	9,342,450		(143,631)
Nonproperty taxes	2,600,000	2,600,000	2,818,130		218,130
Charges for services	12,000	12,000	87,901		75,901
Use of money and property	227,000	227,000	271,362		44,362
Sale of property and compensation for loss	-	125,000	233,214		108,214
Miscellaneous	350,000	430,000	566,653		136,653
Interfund revenues	150,000	150,000	83,418		(66,582)
Total Local Sources	29,334,557	29,684,557	30,038,003		353,446
State Sources	59,713,118	60,973,118	58,887,982		(2,085,136)
Medicaid Reimbursement	600,000	865,948	1,121,223		255,275
Federal sources	-	-	-		-
Retirement System Credits	-	-	-		-
Total Revenues	89,647,675	91,523,623	90,047,208		(1,476,415)
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	-		-
Proceeds from debt	-	-	2,000,000		2,000,000
Total Revenues and other financing sources	\$ 89,647,675	\$ 91,523,623	\$ 92,047,208		\$ 523,585
EXPENDITURES					
General Support					
Board of education	\$ 136,124	\$ 141,141	\$ 138,313	\$ -	\$ 2,828
Central administration	164,723	171,723	177,086	-	(5,363)
Finance	751,214	888,624	819,349	375	68,900
Staff	463,485	588,663	594,823	-	(6,160)
Central services	7,739,192	7,707,350	7,382,760	55,236	269,354
Special items	1,183,249	1,253,549	1,352,159	-	(98,610)
Total General Support	10,437,987	10,751,050	10,464,490	55,611	230,949
Instruction					
Instruction, administration and improvement	3,932,676	3,868,795	3,860,010	3,609	5,176
Teaching - regular school	27,571,728	29,082,732	29,169,351	35,402	(122,021)
Programs for children with handicapping conditions	12,262,086	11,866,986	11,824,634	32,806	9,546
Occupational education	2,509,001	2,435,001	2,377,112	-	57,889
Teaching - special school	359,002	481,037	481,851	94	(908)
Instructional media	2,077,009	2,280,928	2,034,772	40,520	205,636
Pupil services	3,104,097	3,195,885	3,081,056	10,290	104,539
Total Instruction	51,815,599	53,211,364	52,828,786	122,721	259,857
Pupil Transportation	4,735,324	4,941,903	4,941,174	5,836	(5,107)
Community Services	-	-	-	-	-
Employee Benefits	18,197,050	16,897,591	15,791,591	-	1,106,000
Debt Service	4,461,715	5,721,715	1,596,846	-	4,124,869
Total Expenditures	89,647,675	91,523,623	85,622,887	184,168	5,716,568
OTHER FINANCING USES					
Transfers to other funds	-	-	5,671,872	-	(5,671,872)
Total Expenditures and Other Uses	\$ 89,647,675	\$ 91,523,623	91,294,759	\$ 184,168	\$ 44,696
Net change in fund balances			752,449		
Fund balance - beginning			1,795,417		
Fund balance - ending			<u>\$ 2,547,866</u>		

* Must agree to the Schedule of Change from Adopted Budget to Revised Budget

Utica City School District
Schedules of Change from Adopted Budget to Revised Budget
And Use of Unreserved Fund Balance - General Fund
For the Year Ended June 30, 2005

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$ 89,647,675
Add: Prior year's encumbrances	<u>15,948</u>
Original budget	89,663,623
Budget revision:	<u>1,860,000</u>
Final budget	<u><u>\$ 91,523,623</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance - As of the beginning of the year	\$ 1,795,417
Less:	
Designated fund balance used for the levy of taxes - Adopted Budget	<u>-</u>
Undesignated Fund Balance - As of the beginning of the year	<u><u>\$ 1,795,417</u></u>

Supplemental Schedule #3

Utica City School District
 Schedule of Project Expenditures -
 Capital Projects Fund
 For the Year Ended June 30, 2005

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Method of Financing		Fund Balance June 30, 2005
			Prior Years	Current Year		Proceeds of Obligations		
Capital project #1								
Proctor High School	\$ 37,000,000	\$ 37,000,000	\$ 36,428,804	\$ (646,571)	\$ 1,217,767	\$ 37,000,000	\$ 37,000,000	\$ 210,478
Capital project #2								
Reconstruction of Schools	12,028,367	12,028,367	9,819,251	61,978	2,147,138	12,028,367	12,028,367	2,664,871
Capital project #3								
Reconstruction of Schools	8,850,000	8,850,000	7,729,171	1,120,362	467	8,850,000	8,850,000	565,399
Non-major capital projects								
Various	3,312,736	3,262,736	3,138,926	1,472,827	(1,349,017)	1,170,000	1,170,000	(358,955)
	99,900	99,900	99,900	(99,900)	99,900			
Totals	\$ 61,291,003	\$ 61,241,003	\$ 57,216,052	\$ 1,908,696	\$ 2,116,255	\$ 59,048,367	\$ 59,048,367	\$ 3,081,793

Supplemental Schedule 1

Utica City School District
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data
For the Year Ended June 30, 2005

	Code	ST-3 Amounts *	Audited Amount §	Difference
REVENUES				
Real Property Taxes	A -1001	\$ 16,634,875	\$ 16,634,875	
Non-Property Taxes	AT-1199	2,818,130	2,818,130	
State Aid	AT-3999	60,865,697	58,865,697	2,000,000 **
Federal Aid - Medicaid Reimbursements	AT-4999	1,121,223	1,121,223	
Total Revenues & other financing sources	AT-5999	\$ 92,047,208	\$ 92,047,208	
EXPENDITURES				
General Support	AT-1999	\$ 10,464,490	\$ 10,464,490	
Pupil Transportation	AT-5599	4,941,174	4,941,174	
Debt Service - Principal	AT-9798.6	374,484	374,484	
Debt Service - Interest	AT-9798.7	1,222,362	1,222,362	
Total Expenditures & other uses	AT-9999	\$ 91,294,758	\$ 91,294,758	

* These are the ST-3 amounts as last reported (i.e. amended amounts, if applicable).

§ These amounts must agree to comparable amounts on the Statement of Revenues, Expenditures and Changes in Fund Equity. Explain all differences between ST-3 and audited amounts shown in this schedule. If there are differences, the school district must submit an amended ST-3 as soon as possible.

** Advance on Lottery Aid reflected in bond proceeds.

Utica City School District
Schedule of Investment in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2005

Capital assets, net		\$ 56,398,040
Short-term portion of bonds payable	2,833,367	
Long-term portion of bonds payable	<u>51,535,000</u>	<u>54,368,367</u>
Investment in capital assets, net of related debt		<u><u>\$2,029,673</u></u>