

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 therefore 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 MATTERS" 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.

\$10,000,000

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

ONEIDA COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$10,000,000 Bond Anticipation Notes, Series 2009A

Dated: July 16, 2009

Due: July 16, 2010

(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 will not be subject to redemption prior to maturity and may be issued in bearer form in denominations of \$5,000 or multiples thereof. Principal and interest will be payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by the purchaser(s).

At the option of the purchaser(s), the Note(s) will be issued as registered notes, and, if so issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased.

Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. 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 the respective unqualified legal opinions as to the validity of the Notes of Bond, Schoeneck & King, PLLC, Bond Counsel, Utica, New York. It is anticipated that the Notes will be available for delivery in New York, New York on or about July 16, 2009.

June 30, 2009

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 K. KLEIN

President

LOUIS D. LAPOLLA

Vice President

DONALD DAWES
DIANE H. DIMEO
CHRISTOPHER SALATINO
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* * * * *

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Superintendent of Schools

MARUREEN ALBANESE

School District Director of Business & Finance

KIMBERLY POWERS

School District Treasurer

SONDRA RODRIGUEZ

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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OFFICIAL STATEMENT

of the

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

ONEIDA COUNTY, NEW YORK

Relating To

\$10,000,000 Bond Anticipation Notes, Series 2009A

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 \$10,000,000 principal amount of Bond Anticipation Notes, Series 2009A (referred to herein as the "Notes").

The factors affecting the School District's financial condition and the Notes 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 Notes and the proceedings of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated July 16, 2009 and will mature July 16, 2010. 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

If this option is chosen, 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 – Series 2009A

The proceeds of the Notes are being issued pursuant to the Constitution and statutes of the State, including among others, the Education Law and the Local Finance Law and a bond resolution adopted by the Board of Education of the School District on June 10, 2008 authorizing the issuance of \$187,600,000 serial bonds to finance the reconstruction of and improvement to various District school buildings and facilities.

Proceeds of the Notes will provide new money for the above mentioned purpose.

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.

Population

The current estimated population of the School District is 59,336.

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
2007	60,177	232,365	19,280,753

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>2007</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>
City of:						
Utica	\$ 10,726	\$ 15,248	\$ 17,677	\$ 26,757	\$ 33,818	\$ 37,004
County of:						
Oneida	12,227	18,516	22,241	32,557	45,341	52,718
State of:						
New York	16,501	23,389	29,230	39,741	51,691	64,107

Note: 2006 figures are not available for the 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	Hospitality	4,753
Mohawk Valley Network	Healthcare	2,945
St. Elizabeth’s Med Center	Healthcare	1,912
United Cerebral Palsy	Social Services	1,600
Metropolitan Life Insurance Co.	Finance/Insurance	1,513
Wal-Mart Distribution Center	Distribution	1,400
Resource Center for Independent Living Inc.	Social Services	1,300
ConMed Corporation	Medical Devices	1,200
Affiliated Computer Services (ACS)	Call Center	1,100
Rome Memorial Hospital	Healthcare	1,025
Remington Arms Metals	Manufacturing	1,020
Air Force Research Lab – Rome	Information Technology	863
Bank of America	Finance/Insurance	840
Utica National Insurance Group	Finance/Insurance	825
Bank of New York	Finance/Insurance	810

Source: Chamber of Commerce of Utica.

ECONOMIC DEVELOPMENT EFFORTS

Empire Zone

The City is one of eighty-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.

According to 2006 Business Annual Report data, there were 6,736 full time equivalent (FTE) employees working in certified Empire Zone (EZ) businesses. The total investment made in the Utica Empire Zone in 2006 was over \$37 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 Street Corridor, the Central Business District, the Utica Business Park, North Genesee Street and neighborhood commercial sections located throughout the City.

The City received approval of its Redesignation (mapping) Package and its Zone Development Plan. This will allow the City to more easily assist businesses seeking Zone Certification based on strategic industries and sections of the city.

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.

Lockheed Martin'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 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 1,200 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 Business and Technology Park is a 3,500-acre multi-use business, technology and industrial park. There are some 60 employers at Griffiss Park, employing more than 5,000 people. Major employers include Air Force Research Laboratory, the Defense Finance and Accounting Service, Northeast Defense Sector, Goodrich Corporation, BAE Systems, Cathedral Corporation, Dolphin Technology, Empire Aero Center, MGS Manufacturing, Family Dollar Distribution Center, Birnie Bus Services and Rome City School District.

Nearly \$300 million in public and private funding has been invested in the development of Griffiss Park over the last 12 years. These capital projects include demolition of more than 2 million square feet of obsolete former military buildings and housing to make way for new development; construction of a new parkway and other roads to improve the transportation system; construction of a new public high school; a project to consolidate and improve space occupied by the Air Force Research Lab; construction of a new distribution center for Family Dollar and new manufacturing plants for Goodrich Corporation and MGS Manufacturing; construction of new office buildings for various private sector uses; a major renovation and expansion of an aircraft hangar to accommodate Empire Aero Center, a heavy aircraft maintenance, repair and overhaul facility; capital improvements to numerous facilities for industrial use; and infrastructure improvements to make various parcels shovel-ready for development.

In 2006:

- Family Dollar hired approximately 400 people and began operating a 907,000-square-foot distribution center, which represents a \$63 million investment by the company.
- Empire Aero Center has hired approximately 10 employees per month and grown its work force to more than 300. EAC moved to Griffiss Park in 2004 from Miami, Florida, where it was known as Commodore Aviation. The company is a subsidiary of Israel Aircraft Industries.
- The Defense Finance and Accounting Service hired 260 people, and now employs 645. This growth is a result of actions by the 2005 Base Realignment and Closure Commission to expand the Rome site to 1,003 employees by September 30, 2008. The 2005 Commission decision went against a Pentagon recommendation which called for closing the Rome DFAS, a move which would have cost the community nearly 400 jobs.

In 2007:

- Mascoma-New York, LLC, a subsidiary of Mascoma Corporation, based in Cambridge, MA, has leased the Griffiss shell building for a one-year term, with an option to purchase and/or extend the lease for up to 20 years. The lease includes the building and its entire 18 acre parcel. Mascoma-New York will develop a cellulosic ethanol research and development facility whereby they will develop new methods of extracting bio-fuels from wood waste and other domestic agricultural feed stocks. Mascoma will invest \$30 million in the plant. A ceremonial groundbreaking was held December 10. When operating in late 2008, 10 people will work at the plant.
- East Coast Olive Oil began operating its new 180,000-square-foot, \$16 million packaging and distribution center.
- Empire Aero Center will continue hiring 10 mechanics per month as its work force grows from the current 400 to 1,000. The first class of airframe and powerplant mechanics graduated in August from a new curriculum established by Mohawk Valley Community College to supply a work force for EAC. There are 49 students currently enrolled in three classes at the school. The school continues to supply employees to EAC as well as other industries that require a highly skilled workforce. JetBlue is scheduled to bring its first A320 to Empire for a heavy maintenance C check in early 2008
- Griffiss became home to the Oneida County Airport on January 1, 2007. Oneida County now operates the airfield and fixed base operation. New hangar to support private aircraft planned for construction in 2008.
- The Defense Finance and Accounting Service will continue moving toward having 1,000 employees, as ordered by the 2005 Base Realignment and Closure Commission. As a result of the BRAC action, DFAS has grown from 385 to more than 900 employees, and is expected to reach 1,000 by approximately September 30, 2008.
- Northeast Air Defense Sector began construction on a new \$9.6 million headquarters building adjacent to its operation center. The new facility will open in 2008.

It is important to note that a large number of workers at the Griffiss Business and Technology Park travel from Utica to work in Rome.

Additional Information

- ◆ East Coast Olive Oil is in the midst of a \$16 million investment to expand its operations in the Mohawk Valley, allowing it to double its production and add to its 120 employees.
- ◆ Oneida Financial Services is nearing completion of a new \$6 million, 25,000-square-foot branch and office building.
- ◆ Nunn's Hospital Supplies has begun construction on a new office building and distribution center.
- ◆ Americu Credit Union opened a new 35,000-square-foot branch office and office building where 90 people work.
- ◆ BAE Systems continues to grow at 10 to 20 employees per year, a pace expected to continue for the foreseeable future. Since first locating at Griffiss in 1997, BAE has grown from 6 to 150 employees.
- ◆ Upstate Cerebral Palsy expanded its campus at Griffiss Park, which represented a \$7.3 million investment when it opened in July 2005. In 2006, UCP add two new six-bed children's homes, bringing the total number of homes to six, in addition to a multi-use educational/administrative building. Nearly 200 people work at the campus.
- ◆ The Northeast Air Defense Sector has taken over operations of the Southeast Air Defense Sector, with the two functions consolidating at Griffiss Park. A new \$9.6 million support facility is planned.
- ◆ The Information Directorate of the Air Force Research Laboratory will be consolidated at its Rome headquarters as a result of the 2005 BRAC Commission. This decision went against a Pentagon recommendation, and came after an extensive effort by the community to convince the BRAC Commission.
- ◆ Dr. John Costello and his EGC Properties LLC are constructing a fourth office building in his Griffiss Professional Complex, which will be leased to New York State Technology Enterprise Corporation. His third building, completed in 2005, is leased to Assured Information Security, a six-year-old software development company employing 60 people. EGC Properties' second building was completed early in 2005 and leased to CDG Management, which operates a call center. The first building on the parcel houses Dr. Costello's ophthalmology practice and offices leased to Booz Allen Hamilton.

- ◆ GLDC completed a \$1.6 million project to install infrastructure on half of an 80-acre former housing tract which was previously cleared of structures. Roads, water, sewer, gas and electrical service have been installed to make several sites shovel ready for new development.
- ◆ The Municipal Housing Authority for the City will have completed its \$11.5 million HOPE VI grant by September of 2008. This construction season will see the most aggressive new construction of the grant. Plans call for twenty-one new single-family homes to be constructed on existing vacant lots in a two-block radius within the City's Cornhill neighborhood.
- ◆ In 2007, construction began on Colonial Square, located on the former Weaver Meadow estate. The project calls for the creation of an intergenerational community with 144 market-rate senior apartments build around a community center, 40 townhouse units and seventy single-family detached residential units, complete with a road network and sidewalks. The project is the first major subdivision and construction of market-rate housing within the City in decades.
- ◆ In 2008, the City will undertake its first update to its comprehensive plan in nearly five decades. The plan will be neighborhood-based and will be collaborative in that it will include partnership with the City School District and the local/regional not-for-profits; these two entities are driving forces in land use decisions throughout the City. Upon completion of the plan, the City will update its zoning ordinance, subdivision regulations and capital plan process.
- ◆ The Planning board and the Common Council recently approved a change in zoning for an eight acre parcel in southeast Utica for a sixteen lot residential subdivision. The applicant is planning on starting construction in 2007 with a mixture of townhouse units and single-family homes.
- ◆ Benderson Development has begun construction on a new shopping center in on Mohawk Street, in east Utica. The relocation of an Rite Aid Pharmacy has been completed at the site

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

The City's Department of Urban & Economic Development is working with a local LDC through the NYS Main Street Program. These efforts have been concentrated in three commercial neighborhoods throughout the city namely: Bagg Square West, Oneida Square and Varick Street. Interior and exterior improvements are the targeted goals.

Indium Corporation recently purchased and renovated a 64,000 square foot building in the Utica Business Park to compliment their existing location on Lincoln Avenue in the City. Indium is a world leader in lead-free Indium-based solder.

Nearly \$10MM has been secured in State and Federal funds for new parking facilities in downtown Utica. Within the funding, Mayor Roefaro has identified several priority projects including the construction of a new parking structure, expansion of existing surface lots(s) and possible rehabilitation of existing parking structures. These measures are anticipated to alleviate parking shortages in critical areas, help reduce vacancy rates in underutilized building and enhance and sustain the economic viability of Utica's downtown.

The City, through its Urban & Economic Development Department, recently completed a study of the potential for market-rate, loft-style housing throughout the downtown. The study found that potential exists if such an option were to be available. Since completion of the study, Department staff has been developing marketing materials to alert potential developers to the various incentives and financing options that are available. Through development of residential uses in the central business district, the City expects to increase utilization of older, historic buildings while also expanding the property tax base and creating a livelier downtown outside of standard business hours. The City has been working with developers and building owners toward the re-development of their properties toward that goal.

Implementation of the Gateway Historic Canal District revitalization plan continues with the final phase of construction of the Public Safety Campus and the creation of a Gateway Urban Industrial Park. With the recent demolition of the former Washington Courts and the award of a \$2 million grant from the US Economic Development Administration, developable industrial land will be improved with modern infrastructure and improved access.

The City also continues work on its brownfield sites. Department staff has worked closely with Empire Zone staff on the development of a marketing brochure for the former Bossert's site, the City's most visible brownfield site. The City is also proceeding with the rezoning of the former TRW site; the proposed rezoning will allow for a wide range of uses while still ensuring local control over the intensity of use.

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 Indium Corp.

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%.

Metal Logix Design and Fabrication recently purchased and renovated a 40,000 square foot building to house an air handling and heat recover unit manufacturing operation. The majority of the company's sales are for customers located outside New York State.

Through our State and Federal representatives, the City has been successful in receiving earmarks totaling nearly \$10 million to construct a multi-modal center and address parking needs in the downtown. Over the past several years, the City has developed a design for a joint facility that will provide CENTRO, the local transit operator, and its riders with a transfer hub. This hub will allow all of the various transit routes a covered, weather-protected area to arrive and depart at the same time several times per hour throughout the day. This will improve transit services for riders and create a central location in the downtown where riders will be able to access all routes and make necessary transfers. Additionally, over the transfer hub, the plan calls for the construction of a three-level parking structure with capacity for nearly 300 vehicles. This additional parking will help market key downtown building space and bring the City closer to fulfilling its vision for downtown loft-style living and, subsequently, a vibrant downtown.

In 2007 and 2008, the City has moved progressively closer to the creation of the Gateway Urban Industrial Park. In late 2005, the Economic Development Administration (US Department of Commerce) awarded \$2 million to the City for site improvements to the former Washington Courts and Goldbas Homes property (former public housing complexes). Since that time, the City Department of Public Works has largely demolished the housing structures. In 2007, the first phase of improvements were made with the EDA grant and associated matching funds with the consolidation of all underground utilities that ran through the 13-acre site. This work greatly enhances the ability to redevelop the site. In 2008, the City recently awarded a \$2.5 million construction contract that will clear the balance of the site. Additionally, the site will be graded and seeded. Furthermore, all the streets that surround the site will be repaved or reconstructed. Besides a new asphalt surface, the streets will also have new granite curbing, new concrete sidewalks, lighting and landscaping. In short, the project will create a new environment which is necessary to entice private redevelopment of the largest shovel-ready site in the City.

The City 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.

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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

New York State and Economic Development Growth Enterprises Corporation (EDGE) have invested nearly \$5 million with an additional \$20 million secured in pre-permitting, engineering and marketing of Marcy NanoCenter, a 300-acre greenfield on the State University of New York Institute of Technology campus being marketing to the nanoelectronics industry. The investment of the \$20 million will be in various infrastructure improvements, site grading, wetlands mitigation and road improvements to make this site more attractive to semiconductor and nanoelectronics companies. This will be a regionally transformational project that will have a positive impact on populations, jobs growth and wealth sustaining jobs.

In conjunction with BOCES, EDGE has completed a \$6.0 million two phase skills training program for over 30 manufacturing companies. The effort allowed 30 manufacturing companies receive training for incumbent workers in the areas of lean manufacturing and lean office, computerized networking for manufacturing, as well as all other areas required by the companies to sustain and grow. The tested resulted of this program has been increased profits and productivity. The region benefits from a strong School and Business Alliance (SABA) that reaches out to high school students teaching them the skills sets necessary to meet the demand occupations.

Future Site and Building Opportunities

EDGE continues to market the entire region to site selectors, developers and businesses around the globe who are seeking to expand their presence and invest in the Northeast United States.

In cooperation with EDGE, the City is looking at sites and parcels that have development potential through a targeted marketing approach. This effort includes reutilizations of vacated downtown space and optimizing its reuse. Several key parcels in downtown will have their short term vacancy issues resolved through efforts of EDGE and the City. The former Harza building has 80,000 square feet that can be reprogrammed for mixed use or one tenant occupancy by taking advantage of a \$1.0 million grant from NYS to improve the infrastructure. The former Slocum Dickson health care facility has been transformed into class A office space. The acquisition of the former Partners Trust bank by M&T allows for EDGE and the City to market available turn key space to a end user seeking class A space.

EDGE has assisted the City in preparing marketing materials to pitch key development sites to end users as well as the real estate community. The Bossert's site with 7 acres as well as the Gateway site with 15 acres both have rail. Being what fuel costs are many projects are seeking sites with rail. The reality is that these brownfield sites are ready for development based upon the partnership of city government, economic development and environmental agencies.

Job Growth

The following table is a partial listing of recently completed, on-going and pending projects in the County as well as the approximate number of jobs created, being created or to be created:

<u>Project</u>	<u>Type</u>	<u>Status</u>	<u>Jobs Created/Anticipated</u>
Empire Aero Center	Aircraft maintenance	Growing	400 currently; 1,000 in 3-5 years
Defense Finance and Accounting Service	Back office	Growing	900 now; 1,000 by Sept. 2008
Upstate Cerebral Palsy	Human Services/education	Completed	60 created in 2006
AmeriCu Credit Union	Banking	Completed	30-40 created
Oneida Indian Nation	Hospitality	Growth continues	4700 and growing
Owl Wire	Manufacturing	Growing	40 new jobs within 3 years
SAES Getters	Manufacturing	In progress	35 jobs in 3 years
East Coast Olive Oil	Production and distribution	Completed	120 retained
International Wire	Manufacturing	Completed	50 new jobs
Fisk Alloy	Manufacturing	Completed	5 new jobs
The Hartford Insurance	Back office	In progress	600 jobs retained
Sherrill Manufacturing	Manufacturing	In progress	Currently at 130, projected to double

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 2008-09 Budget was adopted by the qualified voters of the District on May 20, 2008. The 2009-10 Budget was adopted by the qualified voters of the District on May 19, 2009.

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 2008-09 fiscal year, approximately 73.2% of the revenues of the School District are estimated to be received in the form of State aid. In its budget for the 2009-10 fiscal year, approximately 72.8% 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 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 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.

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.

Also in connection with State aid, in Campaign for Fiscal Equity, Inc. et al. v. State, et al. (Supreme Court, New York County), plaintiffs challenge the State's method of providing funding for New York City public schools. Plaintiffs sought a declaratory judgment that the State's public school financing system violates article 11, section 1 of the State Constitution and Title VI of the Federal Civil Rights Act of 1964 and injunctive relief that would require the State to satisfy State Constitutional standards.

Litigation was commenced in 1993 by The Campaign for Fiscal Equity challenging the apportionment of State aid to New York City schools as unconstitutional for failure to provide for a "sound basic education". In 2006, after several years of interim court findings and determinations, this matter was concluded by the Court of Appeals which held that (i) the current school funding formula fails to satisfy constitutional requirements of a "sound basic education" which, under the constitution, requires a meaningful high school education, one which prepares students to function productively as civic participants, and (ii) the State has to ultimately determine the appropriate amount to increase funding for New York City's public schools. The court found that the State Legislature's use of an additional funding amount of \$1.93 billion (2004 dollars) adjusted by inflation, to meet this requirement for New York City schools is rationale and meets constitutional requirements.

Although a lower court had concluded that additional capital funding was also required for New York City schools the Court of Appeals vacated that decision as unnecessary in light of the fact that in 2006 the State Legislature approved a \$2.6 billion capital program for all schools including \$1.8 billion for New York City schools.

State legislative reforms in the wake of The Campaign for Fiscal Equity decision include increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need. Included as part of the 2007-2008 State budget is a \$1.76 billion increase in State aid for education bringing total State funding for this purpose to \$19.64 billion. The 2008-09 Enacted Budget increases school aid by \$1.75 billion (8.9 percent), bringing statewide total funding to \$21.4 billion. Foundation Aid, which targets funding to high-needs districts based on objective criteria of district wealth and student need, will comprise the vast majority of this investment (\$14.9 billion) and increase by \$1.2 billion (8.8 percent).

While the recent increases in State aid have been targeted to high needs schools other schools have shared in the overall increase in State aid. The District is unable to predict whether this pattern of distribution will continue beyond that which is included in the legislation dealing with foundation aid.

STAR Aid payments for the 2009-10 fiscal year are expected to be received in the following percentages; 35% in October, 2009, 35% in November, 2009, 10% in December, 2009, and 20% in January, 2010. Adjustment payments were made in March 2010. 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.

\$9,147,059 of the District's 2008-09 school tax levy was exempted by the STAR Program. The District anticipates that approximately \$9,100,000 of the 2009-10 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>
2004-05	9,250	2009-10	9,219
2005-06	9,350	2010-11	9,250
2006-07	9,379	2011-12	9,250
2007-08	9,228	2012-13	9,250
2008-09	8,991	2013-14	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	6/30/11
Utica Teachers' Association	6/30/11
Mohawk Valley Building & Construction Trades Council	6/30/09 ⁽¹⁾
Teamsters Local 182 (Custodial)	6/30/10
Teamsters Local 182 (Secretarial/Nursing)	6/30/08 ⁽¹⁾
Service Employees International	6/30/08 ⁽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 School District's payments to ERS and TRS since the 2004-2005 school year have been as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2004-2005	\$ 1,046,929	\$ 1,866,607
2005-2006	880,292	3,181,622
2006-2007	1,114,624	3,589,737
2007-2008 (Actual)	995,183	N/A
2008-2009 (Budgeted)	1,375,930	4,004,220
2008-2009 (Actual)	1,368,978	3,261,109
2009-2010 (Budgeted)	1,455,930	4,700,348

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 currently does not 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 ERS. 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 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 20, 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 had 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 and School Districts 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 9.5% of eligible payroll 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.

In September 2006, the State Comptroller announced that the amortization rate for 2007 is 5% for those employers choosing to amortize through ERS, any portion of the 2007 bill in excess of 10.5% of payroll. The first installment was due with the February 2008 payment.

In September 2007, the State Comptroller announced that the strength of the \$154.5 billion Common Retirement Fund (CRF) had allowed him to lower the employer contribution rates for the Employees' Retirement System (ERS) for 2008. For 2009, ERS will drop to 8.5 percent from 9.6 percent of payroll. Due to the decline in the performance of the retirement system investments the State Comptroller has indicated that increased contributions are likely for the next fiscal year.

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.

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.

It should also be noted that the District provides employment 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 District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires such accounting.

School districts and Boards of Cooperative Educational 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. 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.

GASB 45 and OPEB. 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.

The District has contracted with Armory Associates, LLC for actuarial services. The report for fiscal year ending June 30, 2009 will show the ARC to be \$19,544,915 and the total liability to be \$318,420,262.

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. Additional information can be obtained by contacting the District.

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2008</u>
Oneida County	4.6%	5.3%	5.5%	5.2%	4.7%	4.4%	4.3%	5.5%
New York State	4.9%	6.2%	6.4%	5.8%	5.0%	4.6%	4.5%	5.4%

2009 Monthly Figures

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Oneida County	8.0%	8.4%	8.0%	7.1%	7.2%	N/A	N/A
New York State	7.6%	8.4%	8.1%	7.5%	8.0%	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, 2008 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Taxable Assessed Valuation	\$ 1,118,645,456	\$1,126,580,406	\$1,124,286,004	\$1,125,699,273	\$1,125,523,025	\$ N/A
Regular State Equalization Rates	100.00%	100.00%	96.00%	94.00%	86.00%	76.00%
Full Valuation Computed Using Regular State Equalization Rates	\$ 1,118,645,456	\$1,126,580,406	\$1,171,131,254	\$1,197,552,418	\$1,308,747,703	\$ N/A
Special State Equalization Ratios	94.70%	91.58%	83.79%	74.38%	70.05%	65.63%
Full Valuation Computed Using Special State Equalization Ratios ⁽¹⁾	\$ 1,181,251,801	\$1,230,159,867	\$1,341,790,195	\$1,513,443,497	\$1,606,742,363	\$ N/A

⁽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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	\$ 21.77	\$ 22.86	\$ 23.43	\$ 24.28	\$ 24.76	\$ 24.76

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tax Levy ⁽¹⁾	\$ 24,289,990	\$ 25,514,990	\$ 26,397,469	\$ 27,298,207	\$ 27,298,207	\$ 27,298,207
Uncollected:						
Returned To City	1,216,066	2,343,087	2,154,089	942,712	912,692	2,712,969
% Uncollected	5.01%	9.18%	8.16%	3.45%	3.34%	9.94%

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

Larger Taxpayers for 2008-2009 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
National Grid	Utility	\$ 47,406,285
Riverside Enterprises, LLC	Shopping Mall	28,129,887
Verizon	Utility	11,848,420
Center Green, Inc.	Professional Office Building	5,071,930
Hotel Utica	Hotel	4,800,000
Utica National	Insurance Underwriter	4,600,000
AMA Properties, LLC	Shopping Center	4,499,000
Eton Centers Co.	Shopping Center	3,950,000
Hannaford Station	Shopping Center	3,800,100
Long Ball Utica	Manufacturing	3,731,000

The ten largest taxpayers listed above have an estimated total assessed valuation of \$117,836,622 which represents approximately 10.47% of the tax base of the School District.

Source: School District tax rolls.

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bonds	\$ 54,368,367	\$ 51,535,000	\$ 48,350,000	\$ 45,040,000	\$ 41,600,000
Bond Anticipation Notes	0	0	0	0	0
Other Debt ⁽¹⁾	<u>10,000,000</u>	<u>9,975,000</u>	<u>9,975,000</u>	<u>9,975,000</u>	<u>10,000,000</u>
Total Debt Outstanding	<u>\$ 64,368,367</u>	<u>\$ 61,510,000</u>	<u>\$ 58,325,000</u>	<u>\$ 55,015,000</u>	<u>\$ 51,600,000</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 23, 2009.

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2009-2018	\$ 41,600,000
<u>Bond Anticipation Notes</u>	---	0
<u>Revenue Anticipation Notes</u> Issued June 19, 2008	June 19, 2009	<u>\$ 10,000,000</u> ⁽¹⁾
	Total Indebtedness	<u>\$ 51,600,000</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 23, 2009:

	Computed Using Regular <u>State Equalization Rates</u>	Computed Using Special <u>State Equalization Ratios</u>
Five-Year Average Full Valuation of Taxable Real Property	\$ 1,184,531,447	\$ 1,374,677,545
Debt Limit 5% thereof	59,226,572	68,733,877
<u>Inclusions:</u>		
Bonds	\$ 41,600,000	41,600,000
Bond Anticipation Notes	0	0
Revenue Anticipation Notes	<u>10,000,000</u>	<u>10,000,000</u>
Total Inclusions	<u>\$ 51,600,000</u>	<u>\$ 51,600,000</u>
<u>Exclusions:</u>		
Appropriations	\$ 3,580,000	\$ 3,580,000
Revenue Anticipation Notes	<u>10,000,000</u>	<u>10,000,000</u>
Total Exclusions	<u>\$ 13,580,000</u>	<u>\$ 13,580,000</u>
Total Net Indebtedness ^{(1) (2)}	<u>\$ 38,020,000</u>	<u>\$ 38,020,000</u>
Net Debt-Contracting Margin	<u>\$ 21,206,572</u>	<u>\$ 30,713,877</u>
The percent of debt contracting power exhausted is	64.19%	55.31%

⁽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, and 98.0% for the current project. 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. Issuance of the Notes will increase the total net indebtedness of the District by \$10,000,000.

Capital Project Plans

On July 29, 2008 the voters approved a \$187,600,000 capital improvement project. The District plans on using all or a portion of the \$7,035,887 EXCEL (Expanding our Children's Education and Learning) Aid along with the 98% state building aid ratio to minimize the impact on the taxpayers of the District. The first borrowing against said proposition will be a \$10,000,000 bond anticipation note to fund preliminary costs, and will occur in July, 2009. The voters of the District have authorized the financing of the capital project to exceed the debt limit. The School District has applied for, but not yet received, consent of the New York State Comptroller and New York State Board of Regents to issue indebtedness for this project in excess of the Constitutional and statutory debt limit, as required by law. Issuance of the Notes represents the first borrowing against said authorization.

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

Authorized But Unissued Debt

After the issuance of the Notes, the School District will have \$177,600,000 in authorized but unissued debt.

Cash Flow Borrowings

The School District annually issues revenue anticipation notes in anticipation of State aid. A listing of such borrowings is shown below. The School District has not issued tax anticipation notes in the past and has no future plans to do so.

<u>Fiscal Year</u>	<u>Amount</u>	<u>Type</u>	<u>Issue Date</u>	<u>Due Date</u>
2003-2004	\$ 10,000,000	RAN	6/26/03	6/25/04
2004-2005	10,000,000	RAN	6/25/04	6/24/05
2005-2006	10,000,000	RAN	6/23/05	6/22/06
2006-2007	9,975,000	RAN	6/23/06	6/22/07
2007-2008	9,975,000	RAN	6/22/07	6/20/08
2008-2009	9,975,000	RAN	6/19/08	6/19/09
2009-2010	10,000,000	RAN	6/18/09	6/18/10

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	\$ 117,188,692	\$ 14,396,234	\$ 102,792,458	25.10%	\$ 25,800,907
City of: Utica	55,504,242	8,912,520	46,591,722	100.0%	<u>46,591,722</u>
				Total	\$ 72,392,629

- (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 23, 2009

	<u>Amount</u>	<u>Per Capita</u> <u>(a)</u>	<u>Percentage of Full Value</u> <u>(b)</u>
Net Indebtedness (see "Computation of Debt Limit").....	\$ 38,020,000	\$ 640.76	2.37%
Net Indebtedness Plus Net Overlapping Indebtedness (c).....	110,412,629	1,860.80	6.87%

- (a) The current estimated population of the District is 59,336.
- (b) The District's full value of taxable real estate for 2007-08 is \$1,606,742,363 using Special State Equalization Ratios.
- (c) Estimated net overlapping indebtedness is \$72,392,629. 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 MATTERS

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 included 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.

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 included 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 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 included 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 included in the calculation of the alternative minimum tax imposed on corporations. 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 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) 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 (iii) 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; and, with respect to corporations (as defined for federal income tax purposes), such interest is not 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 (iii) 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.

Bond Counsel has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except to the extent, if any, stated in the Official Statement) or any other offering material relating to the Notes, and Bond Counsel expresses no opinion relating thereto (excepting only matters set forth as Bond Counsel's opinion in the Official Statement).

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.

If the purchaser(s) requests the Note to be issued in registered form, the School District will act as Paying Agent for the Notes. If the purchaser(s) requests the Note to be issued in bearer form, the purchaser will act as Paying Agent for the Notes. The School District contact information is as follows: Ms. Maureen Albanese, School Business Official, Administration Building, at Conkling School, 1115 Mohawk Street, Utica, New York 13501-3709, Phone: (315) 792-2224, Fax: (315) 792-2299. email: malbanese@uticaschools.org.

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 30, 2009

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

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>ASSETS</u>				
Unrestricted Cash	\$ 9,849,375	\$ 6,556,810	\$ 7,936,527	\$ 11,706,551
Restricted Cash	65,078	23,036	198,277	233,299
State and Federal Aid Receivable	2,428,869	0	2,134,670	4,978,890
Due from Other Funds	4,801,999	5,327,439	6,521,252	4,577,391
Due from Other Governments	88,412	0	0	0
Due from Fiduciary Funds	0	500,297	521,142	533,585
Other Receivables	0	6,500,592	3,035,785	1,238,039
Prepaid Expenditures	0	253,823	254,690	182,106
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 17,233,733</u>	<u>\$ 19,161,997</u>	<u>\$ 20,602,343</u>	<u>\$ 23,449,861</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 1,214,772	\$ 816,242	\$ 1,129,862	\$ 293,785
Accrued Liabilities	3,182,372	2,512,910	740,307	1,344,461
Revenue Anticipation Notes	10,000,000	9,975,000	9,975,000	9,975,000
Due to Other Funds	0	0	220,665	745,353
Due to Other Governments	254,874	138,152	68,986	251,611
Due to Teachers' Retirement System	(5,041)	4,504,165	5,461,109	5,012,827
Deferred Revenues	38,890	0	1,872	6,045
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>14,685,867</u>	<u>17,946,469</u>	<u>17,597,801</u>	<u>17,629,082</u>
 <u>FUND EQUITY</u>				
Reserved:	\$ 184,168	\$ 165,093	\$ 183,552	\$ 1,232,904
Unreserved:				
Appropriated	800,000	0	0	0
Unappropriated	1,563,698	1,050,435	2,820,990	4,587,875
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>2,547,866</u>	<u>1,215,528</u>	<u>3,004,542</u>	<u>5,820,779</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 17,233,733</u>	 <u>\$ 19,161,997</u>	 <u>\$ 20,602,343</u>	 <u>\$ 23,449,861</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
REVENUES				
Real Property Taxes	\$ 16,380,503	\$ 16,634,875	\$ 17,269,631	\$ 17,499,519
Other Real Property Tax Items	8,648,874	9,342,450	9,395,863	10,077,702
Nonproperty Taxes	2,521,691	2,818,130	3,067,544	2,948,428
Charges for Services	188,481	87,901	74,806	200,025
Use of Money & Property	375,492	271,362	534,833	619,824
Sale of Property and Compensation for Loss	140,365	233,214	84,448	72,223
Miscellaneous	880,144	566,653	1,547,069	1,120,338
Interfund Revenues	186,293	83,418	0	0
Revenues from State Sources	52,479,716	58,887,982	66,435,180	71,720,814
Medicaid Reimbursement	1,205,278	1,121,223	0	0
Revenues from Federal Sources	0	0	711,563	566,890
Total Revenues	<u>\$ 83,006,837</u>	<u>\$ 90,047,208</u>	<u>\$ 99,120,937</u>	<u>\$ 104,825,763</u>
Other Sources:				
Interfund Transfers	<u>0</u>	<u>2,250,000</u>	<u>0</u>	<u>0</u>
Total Revenues and Other Sources	<u>83,006,837</u>	<u>92,297,208</u>	<u>99,120,937</u>	<u>104,825,763</u>
EXPENDITURES				
General Support	\$ 9,550,008	\$ 10,464,490	\$ 11,356,697	\$ 11,705,613
Instruction	49,612,387	52,817,353	55,352,615	59,425,326
Pupil Transportation	4,421,769	4,941,174	5,157,402	5,560,347
Community Services	38	0	0	0
Employee Benefits	14,141,787	15,791,591	21,925,825	19,479,337
Debt Service	607,004	1,596,846	1,575,000	1,531,476
Capital Outlay	58,687	11,433	0	0
Total Expenditures	<u>\$ 78,391,680</u>	<u>\$ 85,622,887</u>	<u>\$ 95,367,539</u>	<u>\$ 97,702,099</u>
Other Uses:				
Interfund Transfers	<u>3,029,237</u>	<u>5,921,872</u>	<u>5,985,736</u>	<u>5,334,650</u>
Total Expenditures and Other Uses	<u>81,420,917</u>	<u>91,544,759</u>	<u>101,353,275</u>	<u>103,036,749</u>
Excess (Deficit) Revenues Over Expenditures	<u>1,585,920</u>	<u>752,449</u>	<u>(2,232,338)</u>	<u>1,789,014</u>
FUND BALANCE				
Fund Balance - Beginning of Year	209,497	1,795,417	2,547,866	1,215,528
Prior Period Adjustments (net)	<u>0</u>	<u>0</u>	<u>900,000</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 1,795,417</u>	<u>\$ 2,547,866</u>	<u>\$ 1,215,528</u>	<u>\$ 3,004,542</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>2008</u>	
	<u>Amended</u>	
	<u>Budget</u>	<u>Actual</u>
REVENUES		
Real Property Taxes	\$ 18,207,422	\$ 17,723,967
Other Real Property Tax Items	9,636,189	9,969,115
Nonproperty Taxes	2,880,000	2,899,984
Charges for Services	65,353	131,246
Use of Money & Property	500,880	604,754
Sale of Property and Compensation for Loss	0	319,433
Miscellaneous	626,909	632,949
Interfund Revenues	100,000	0
Revenues from State Sources	83,920,583	83,884,319
Medicaid Reimbursement	0	0
Revenues from Federal Sources	750,000	565,746
Total Revenues	<u>\$ 116,687,336</u>	<u>\$ 116,731,513</u>
Other Sources:		
Interfund Transfers	<u>1,096,111</u>	<u>0</u>
Total Revenues and Other Sources	<u>117,783,447</u>	<u>116,731,513</u>
EXPENDITURES		
General Support	\$ 12,831,366	\$ 12,338,975
Instruction	68,191,248	66,348,602
Pupil Transportation	6,164,225	6,041,167
Community Services	0	0
Employee Benefits	24,174,533	22,339,873
Debt Service	1,519,033	1,519,033
Capital Outlay	0	0
Total Expenditures	<u>\$ 112,880,405</u>	<u>\$ 108,587,650</u>
Other Uses:		
Interfund Transfers	<u>5,086,594</u>	<u>5,327,626</u>
Total Expenditures and Other Uses	<u>117,966,999</u>	<u>113,915,276</u>
Excess (Deficit) Revenues Over Expenditures	<u>(183,552)</u>	<u>2,816,237</u>
FUND BALANCE		
Fund Balance - Beginning of Year	183,552	3,004,542
Prior Period Adjustments (net)	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 5,820,779</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	Adopted <u>Budget</u>	Adopted <u>Budget</u>	Adopted <u>Budget</u>	Proposed <u>Budget</u>
REVENUES				
Real Property Taxes	\$ 27,298,207	\$ 27,298,207	\$ 27,298,207	\$ 27,838,712
Real Property Tax Items	337,508	545,404	545,404	570,404
Non-Property Tax Items	2,800,000	2,880,000	2,935,427	2,800,000
Charges for Services	19,819	23,188	25,000	25,000
Use of Money & Property	327,645	427,645	517,796	300,000
Sale of Property and Compensation for Loss	0	0	0	0
Miscellaneous	399,112	407,112	1,511,884	2,741,570
Revenues from State Sources	72,221,792	84,255,780	92,127,112	94,179,100
Revenues from Federal Sources	1,000,000	750,000	650,000	650,000
Interfund Transfers	100,000	100,000	200,000	300,000
Total Revenues	<u>\$ 104,504,083</u>	<u>\$ 116,687,336</u>	<u>\$ 125,810,830</u>	<u>\$ 129,404,786</u>
EXPENDITURES				
<u>Administration</u>				
General Support	\$ 3,262,692	\$ 3,739,099	\$ 4,593,924	\$ 5,053,660
Instruction	128,900	137,000	75,000	100,000
<u>Program</u>				
Instruction	56,758,715	66,644,297	71,311,941	74,960,002
Student Transportation	5,454,830	5,993,774	6,562,894	6,797,825
Interfund Transfers	0	0	0	0
Employee Benefits	21,928,987	24,544,353	24,737,220	24,756,882
<u>Capital</u>				
Central Services	10,126,810	10,119,298	11,947,620	11,187,147
Debt Service	6,843,149	6,605,627	6,582,231	6,845,502
Interfund Transfers	0	0	0	0
Employee Benefits	0	0	0	0
Total Expenditures	<u>\$ 104,504,083</u>	<u>\$ 117,783,448</u>	<u>\$ 125,810,830</u>	<u>\$ 129,701,018</u>
Excess (Deficit) Revenues Over Expenditures	<u>0</u>	<u>(1,096,112)</u>	<u>0</u>	<u>(296,232)</u>
FUND BALANCE				
Fund Balance - Beginning of Year	0	1,096,112	0	296,232
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
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	\$ 45,040,000	\$ 11,670,114.49	\$ 56,710,114.49

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	1998 Reconstruction			1999 Reconstruction		
	Principal	Interest	Total	Principal	Interest	Total
	2009	\$ 70,000	\$ 46,155.00	\$ 117,975.00	\$ 205,000	\$ 121,440.00
2010	75,000	42,585.00	119,725.00	215,000	111,600.00	325,800.00
2011	80,000	38,760.00	116,155.00	225,000	101,280.00	326,440.00
2012	85,000	34,680.00	117,585.00	235,000	90,480.00	326,600.00
2013	85,000	30,345.00	118,760.00	245,000	79,200.00	326,280.00
2014	90,000	26,010.00	119,680.00	255,000	67,440.00	325,480.00
2015	95,000	21,420.00	115,345.00	270,000	55,200.00	324,200.00
2016	105,000	16,575.00	116,010.00	280,000	42,240.00	322,440.00
2017	105,000	11,220.00	116,420.00	295,000	28,800.00	325,200.00
2018	115,000	5,865.00	121,575.00	305,000	14,640.00	322,240.00
TOTALS	\$ 905,000	\$ 273,615.00	\$ 1,179,230.00	\$ 2,530,000	\$ 712,320.00	\$ 3,254,600.00

Fiscal Year Ending June 30th	2001 Reconstruction			2004 Elementary and Technology		
	Principal	Interest	Total	Principal	Interest	Total
	2009	\$ 160,000	\$ 122,660.00	\$ 284,910.00	\$ 145,000	\$ 77,056.26
2010	170,000	113,460.00	286,572.50	150,000	71,256.26	222,656.26
2011	180,000	103,685.00	282,660.00	155,000	65,256.26	222,056.26
2012	190,000	93,335.00	283,460.00	160,000	59,056.26	221,256.26
2013	205,000	82,410.00	283,685.00	165,000	52,656.26	220,256.26
2014	215,000	70,520.00	283,335.00	175,000	46,056.26	219,056.26
2015	225,000	58,050.00	287,410.00	180,000	39,056.26	217,656.26
2016	240,000	45,000.00	285,520.00	185,000	31,856.26	221,056.26
2017	250,000	30,900.00	283,050.00	195,000	24,456.26	219,056.26
2018	265,000	15,900.00	285,000.00	200,000	16,656.26	216,856.26
2019				205,000	8,456.26	219,456.26
TOTALS	\$ 2,100,000	\$ 735,920.00	\$ 2,845,602.50	\$ 1,915,000	\$ 491,818.86	\$ 2,422,418.86

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
2009	\$ 1,410,000	\$ 793,112.50	\$ 2,218,456.25	\$ 110,000	\$ 61,837.50	\$ 170,568.75
2010	1,465,000	734,950.00	2,209,212.50	115,000	57,056.25	171,340.63
2011	1,520,000	674,518.75	2,203,112.50	120,000	52,062.50	171,837.50
2012	1,575,000	611,818.75	2,199,950.00	125,000	46,856.25	172,056.25
2013	1,640,000	546,850.00	2,194,518.75	130,000	41,437.50	172,062.50
2014	1,705,000	479,200.00	2,186,818.75	135,000	35,806.25	171,856.25
2015	1,770,000	408,868.75	2,186,850.00	140,000	29,962.50	171,437.50
2016	1,850,000	335,856.25	2,184,200.00	150,000	23,800.00	170,806.25
2017	1,925,000	259,543.75	2,178,868.75	155,000	17,318.75	169,962.50
2018	2,015,000	177,731.25	2,185,856.25	160,000	10,625.00	173,800.00
2019	2,105,000	92,093.75	2,184,543.75	170,000	3,612.50	172,318.75
TOTALS	\$ 18,980,000	\$ 5,114,543.75	\$ 24,132,387.50	\$ 1,510,000	\$ 380,375.00	\$ 1,888,046.88

Fiscal Year Ending June 30th	2004			2004		
	Elementary and Technology			Purchase of Buses		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 660,000	\$ 342,725.00	\$ 998,668.75	\$ 680,000	\$ 315,243.75	\$ 991,093.75
2010	690,000	315,500.00	998,712.50	700,000	291,093.75	993,606.25
2011	720,000	287,037.50	1,002,725.00	725,000	265,703.13	995,243.75
2012	755,000	257,337.50	1,005,500.00	750,000	238,968.75	991,093.75
2013	785,000	225,250.00	1,007,037.50	780,000	211,237.50	990,703.13
2014	820,000	191,887.50	1,012,337.50	810,000	182,418.75	988,968.75
2015	860,000	157,037.50	1,010,250.00	840,000	152,512.50	991,237.50
2016	900,000	120,487.50	1,011,887.50	870,000	121,518.75	992,418.75
2017	945,000	82,237.50	1,017,037.50	905,000	88,781.25	992,512.50
2018	990,000	42,075.00	1,020,487.50	940,000	54,187.50	991,518.75
2019				975,000	18,281.25	993,781.25
TOTALS	\$ 8,125,000	\$ 2,021,575.00	\$ 10,084,643.75	\$ 8,975,000	\$ 1,939,946.88	\$ 10,912,178.13

CITY SCHOOL DISTRICT OF THE CITY OF UTICA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008

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 ("District") as of and for the year ended June 30, 2008, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above represent fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Utica City School District, as of June 30, 2008, and the respective changes in financial position where applicable, 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 November 18, 2008, on our consideration of the 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 and budgetary comparison information on pages 3 through 11 and 40 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utica City School District financial statements. The introductory section, individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Liverpool, New York
November 18, 2008

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The discussion and analysis of Utica City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The Utica City School District again faced the same issues as most school districts statewide. Increases in health costs, utilities, transportation, salaries and benefits again drove up budgets.

However, the district received an increase of \$9,021,647 in state aid and was therefore able to sustain existing programs without raising taxes.

There were restrictions placed on the use of the revenue as we received an increase of over 10% in state aid and had at least one school in need of restructuring.

The restrictions only allow the Utica City School District to use 3% of its foundation aid base and 25% of new foundation aid to sustain existing programs. The remainder of the aid had to be earmarked to reduce class sizes and to implement new programs which would, under Contract for Excellence criteria, help raise Utica students test scores.

The Board of Education decided that because of the large increase in state aid, the district should not raise property taxes for the 2007/2008 school year. In order to balance our budget, the Board of Education also decided to use \$1,096,112 from our debt service account, if needed. This money had been moved to the debt service fund a few years back to be used for circumstances as outlined above.

The restrictions on the aid did however allow the district to hire additional staffing, such as teachers (especially reading teachers), social workers, guidance counselors and ESL teachers, all of which will definitely have a positive effect on the students text scores.

The District's fund balance shows a substantial increase for the 2007/2008 school year as it increased by \$2,816,237 and now stands at \$5,820,779. The undesignated fund balance is 3.6% of next year's budget.

- Last year we booked salary increases for teachers and staff at an estimated 3%. The contracts were settled during the year at a 2% increase for both unions resulting in a substantial savings to the district.
- Also, our health insurance expenditures were well below our appropriations, which also allowed us to increase our fund balance. Our appropriation is higher because we are self-insured and buy our claims. We must remain vigilant with all of the uncertainties that self-insured districts could face.
- We are anticipating another substantial increase in state aid for the 2008/2009 school year which should allow for the district to at least maintain our fund balance.

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

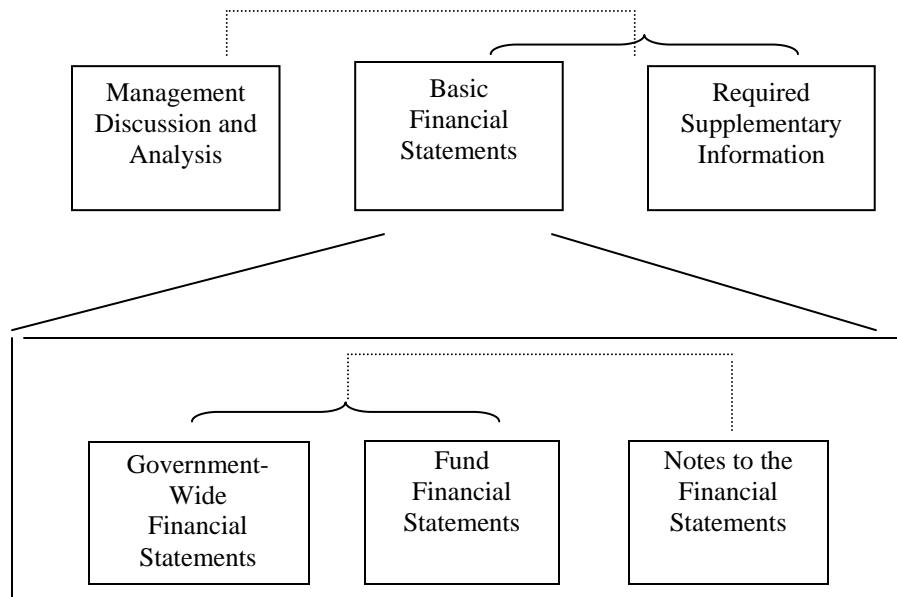
The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Table A-1
Required components of
Utica City School District's
Financial Report



UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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

Table A-2

	Government- Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as education, administration and community services	Instances in which the District is the trustee or agent to someone else's resources - Agency Funds and Scholarship Funds
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	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 resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term
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 payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Statements

The district-wide statements report information about the District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government'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 government-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 indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The district-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$9,644 at June 30, 2008.

Table A-3
Condensed Statement of Net Assets (in thousands of dollars)

	Fiscal Year 2008	Fiscal Year 2007
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 27,116	\$ 24,812
Non-current Capital Assets	59,341	62,306
Total Assets	<u>86,457</u>	<u>87,118</u>
Current and Other Liabilities	25,382	24,779
Long-term Liabilities	51,431	56,346
Total Liabilities	<u>76,813</u>	<u>81,125</u>
Net Assets		
Invested in Capital Assets, net of related debt	8,119	6,946
Restricted for Capital Improvements	1,410	1,453
Restricted for Debt Service	1,763	1,730
Unrestricted	(1,648)	(3,733)
Total Net Assets	<u>\$ 9,644</u>	<u>\$ 6,396</u>

Most of the District's net assets are invested in capital assets (buildings, land and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future debt service payments or capital projects as planned by the District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Aid Funding provided by the State of New York and the local taxes assessed to community taxpayers.

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Table A-4 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-4
Changes in Net Assets (in thousands of dollars)

	Fiscal Year 2008	Fiscal Year 2007
	<u>2008</u>	<u>2007</u>
Revenues		
Real Property Taxes	\$ 17,724	\$ 17,500
Other Real Property Tax Items	9,969	10,078
Nonproperty Taxes	2,899	2,948
Charges for Services	131	200
Use of Money and Property	638	682
Sale of Property and Compensation for Loss	319	72
Miscellaneous and Interfund Transfers	633	1,120
State and Local Sources	89,259	78,341
Federal Sources	13,735	13,869
Sales	375	357
Total Revenues	<u>135,682</u>	<u>125,167</u>
Expenditures		
General Support	12,339	11,706
Instruction	81,384	76,154
Pupil Transportation	6,041	5,560
Employee Benefits	23,286	18,448
Debt Service	2,687	2,879
Cost of Cafeteria Sales	3,459	3,342
Depreciation Expense	3,239	2,067
Total Expenditures	<u>132,435</u>	<u>120,156</u>
Increase in Net Assets	<u>\$ 3,247</u>	<u>\$ 5,011</u>

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

At June 30, 2008, the District governmental funds reported a combined fund balance of \$9,058,101, which is an increase of \$3,268,438 from 2007. The primary reasons for this are specific to the general funds.

General Fund Budget

During the fiscal year, the Board of Education (the "Board") authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the expenditure areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008 and 2007, the District had invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-6
Governmental Activities Capital Assets - Net of Depreciation (in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Land	\$ 1,045	\$ 1,045
Buildings	53,714	43,058
Site Improvements	2,276	216
Furniture and Equipment	2,263	2,501
Construction in Progress	<u>43</u>	<u>15,486</u>
TOTAL	<u>\$ 59,341</u>	<u>\$ 62,306</u>

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Debt Administration

As of July 1, 2008, the District had total outstanding serial bond principal of \$48,350,000. During the year, the District made payments against principal of \$3,310,000 resulting in ending outstanding debt, as of June 30, 2008 of \$45,040,000.

Other obligations include retirement system payables, accrued compensated absences and sick leave for specific employees of the District, revenue advance, lease purchase debt, health and workers' compensation benefits. More detailed information about our long-term liabilities is included in Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As mentioned previously, now that the state has a new governor, the district is looking forward to an increase in our aid through a change in formulas or from the Campaign for Fiscal Equity, which will enable the District to move toward hiring more staff, therefore, reducing class sizes and raising our test scores through more individual tutoring programs.

However, it must be mentioned here that the District has several problem areas that were never addressed in previous years. These projects must be completed sooner than later and may have a negative effect on our fund balance at the end of the 2007/2008 school year.

Examples are:

Removal of gas tanks (to date)	\$ 182,880
Replacement of pool filtration system	\$ 86,802
New asbestos management plan	\$ 116,100

The General Fund budget for the 2008/2009 year is \$8,027,382 more than the original budget for 2007/2008. This represents a 6.82% budget increase. The large increase is due to another increase in our Foundation Aid tax year 2008/2009.

The comparison of revenue and expenditure categories is as follows:

Table A-8
Budgeted Revenues

	<u>2007- 2008</u>	<u>2006- 2007</u>
Local Property Tax	24%	26%
State	71%	69%
Other	5%	4%

UTICA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Table A-8
Budgeted Expenditures

	<u>2007 - 2008</u>	<u>2006 - 2007</u>
Instruction	58%	58%
Support Services	11%	11%
Pupil Transportation	5%	5%
Transfers/Debt/Benefits/Community	26%	26%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact:

Maureen Albanese
Business Official
Utica City School District
115 Mohawk Street
Utica, New York 13501
(315) 792-2225

UTICA CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

ASSETS

CURRENT ASSETS

Unrestricted Cash	\$	15,678,553
Restricted Cash		233,299
State and Federal Aid Receivable		9,119,001
Due From Fiduciary Funds		533,585
Other Receivables		1,238,439
Inventories		131,279
Prepaid Expenditures		182,106
		<u>182,106</u>
TOTAL CURRENT ASSETS		<u>27,116,262</u>

NONCURRENT ASSETS

Capital Assets, net		59,341,557
		<u>59,341,557</u>
TOTAL ASSETS	\$	<u>86,457,819</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	892,804
Accrued Liabilities		1,472,580
Accrued Interest Payable		321,123
Due To Fiduciary Funds		14,106
Due To Other Governments		251,611
Retainage Payable		117,161
Due To Retirement Systems, due within 1 year		5,012,827
Serial Bonds Payable, due within 1 year		3,440,000
Installment Lease Purchase Debt, due within 1 year		868,003
Health and Workers' Compensation, due within 1 year		2,695,668
Revenue Anticipation Note		9,975,000
Deferred Revenue		322,072
		<u>322,072</u>
TOTAL CURRENT LIABILITIES		<u>25,382,955</u>

NONCURRENT LIABILITIES

Revenue Advance		3,666,667
Serial Bonds Payable		41,600,000
Installment Lease Purchase Debt		5,313,924
Compensated Absences		849,977
		<u>849,977</u>
TOTAL NONCURRENT LIABILITIES		<u>51,430,568</u>
TOTAL LIABILITIES	\$	<u>76,813,523</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	8,119,630
Restricted For Capital Improvements		1,410,525
Restricted For Debt Service		1,763,082
Unrestricted		(1,648,941)
		<u>(1,648,941)</u>
TOTAL NET ASSETS	\$	<u>9,644,296</u>

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
General Support	\$ (14,432,911)	\$ -	\$ -	\$ (14,432,911)
Instruction	(102,248,931)	131,246	15,267,378	(86,850,307)
Pupil Transportation	(6,368,578)	-	-	(6,368,578)
Debt Service Interest	(2,686,884)	-	-	(2,686,884)
School Lunch Program	(3,458,063)	374,485	3,142,030	58,452
Depreciation - Unallocated	(3,239,088)	-	-	(3,239,088)
TOTAL FUNCTIONS AND PROGRAMS	\$ (132,434,455)	\$ 505,731	\$ 18,409,408	\$ (113,519,316)
General Revenues				
Real Property Taxes				17,723,967
Other Tax Items				9,969,115
Nonproperty Taxes				2,899,984
Use of Money and Property				638,030
Sales of Property and Compensation for Loss				319,433
State Sources				84,017,652
Medicaid Reimbursement				565,746
Miscellaneous				632,949
TOTAL GENERAL REVENUES				116,766,876
		CHANGE IN NET ASSETS		3,247,560
		NET ASSETS, BEGINNING OF YEAR		6,396,736
		NET ASSETS, END OF YEAR		\$ 9,644,296

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

ASSETS	GENERAL	SPECIAL AID	SCHOOL LUNCH	DEBT SERVICE	CAPITAL PROJECT #1	CAPITAL PROJECT #2	CAPITAL PROJECT #3	NON-MAJOR	TOTAL GOVERNMENTAL FUNDS
Unrestricted Cash	\$ 11,706,551	\$ 588,727	\$ 436,585	\$ 92,569	\$ 860,905	\$ -	\$ 1,765,759	\$ 227,457	\$ 15,678,553
Restricted Cash	233,299	-	-	-	-	-	-	-	233,299
State & Federal Aid Receivable	4,978,890	3,865,668	274,443	-	-	-	-	-	9,119,001
Due From Other Funds	4,577,391	3,619,606	284,394	1,670,513	26,893	2,590,702	-	42,678	12,812,177
Due From Fiduciary Funds	533,585	-	-	-	-	-	-	-	533,585
Other Receivables	1,238,039	-	400	-	-	-	-	-	1,238,439
Inventories	-	-	131,279	-	-	-	-	-	131,279
Prepaid Expenditures	182,106	-	-	-	-	-	-	-	182,106
TOTAL ASSETS	\$ 23,449,861	\$ 8,074,001	\$ 1,127,101	\$ 1,763,082	\$ 887,798	\$ 2,590,702	\$ 1,765,759	\$ 270,135	\$ 39,928,439
LIABILITIES AND FUND BALANCES									
Accounts Payable	\$ 293,785	\$ 598,189	\$ 830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 892,804
Accrued Liabilities	1,344,461	117,064	11,055	-	-	-	-	-	1,472,580
Due To Other Funds	745,353	7,042,721	1,037,395	-	581,719	954,143	1,200,360	1,250,486	12,812,177
Due To Fiduciary Funds	-	-	14,106	-	-	-	-	-	14,106
Due To Other Governments	251,611	-	-	-	-	-	-	-	251,611
Retainage Payable	-	-	-	-	51,438	65,723	-	-	117,161
Due To Retirement Systems	5,012,827	-	-	-	-	-	-	-	5,012,827
Compensated Absences	-	-	-	-	-	-	-	-	-
Revenue Anticipation Notes	9,975,000	-	-	-	-	-	-	-	9,975,000
Deferred Revenue	6,045	316,027	-	-	-	-	-	-	322,072
TOTAL LIABILITIES	\$ 17,629,082	\$ 8,074,001	\$ 1,063,386	\$ -	\$ 633,157	\$ 1,019,866	\$ 1,200,360	\$ 1,250,486	\$ 30,870,338
FUND BALANCES									
Reserve For Encumbrances	\$ 232,904	\$ -	\$ 6,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,403
Reserve For Debt Service	-	-	-	1,763,082	-	-	-	-	1,763,082
Reserve For Inventories	-	-	131,279	-	-	-	-	-	131,279
Reserve For Workers Compensation	1,000,000	-	-	-	-	-	-	-	1,000,000
Capital Reserve	-	-	-	-	254,641	1,570,836	565,399	(980,351)	1,410,525
Unreserved - Designated for Subsequent Expenditures	-	-	-	-	-	-	-	-	-
Undesignated	4,587,875	-	(74,063)	-	-	-	-	-	4,513,812
TOTAL FUND BALANCES	\$ 8,202,779	\$ -	\$ 63,715	\$ 1,763,082	\$ 254,641	\$ 1,570,836	\$ 565,399	\$ (980,351)	\$ 9,058,101
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,449,861	\$ 8,074,001	\$ 1,127,101	\$ 1,763,082	\$ 887,798	\$ 2,590,702	\$ 1,765,759	\$ 270,135	\$ 39,928,439

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	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	\$ 17,723,967	-	\$ -	-	\$ -	-	\$ -	-	\$ 17,723,967
Other Tax Items	9,969,115	-	-	-	-	-	-	-	9,969,115
Nonproperty Taxes	2,899,984	-	-	-	-	-	-	-	2,899,984
Charges for Services	131,246	-	-	-	-	-	-	-	131,246
Use of Money and Property	604,754	-	137	33,139	-	-	-	-	638,030
Sale of Property and Compensation for Loss	319,433	-	-	-	-	-	-	-	319,433
State and Local Sources	83,884,319	5,104,177	137,267	-	-	-	-	-	89,125,763
Federal Sources	565,746	10,163,201	3,004,763	-	-	-	-	-	13,733,710
Sales	-	-	374,485	-	-	-	-	-	374,485
Miscellaneous	632,949	-	-	-	-	-	-	-	632,949
TOTAL REVENUES	\$ 116,731,513	\$ 15,267,378	\$ 3,516,652	\$ 33,139	\$ -	\$ -	\$ -	\$ -	\$ 135,548,682
EXPENDITURES									
General Support	\$ 12,338,975	-	\$ 1,397,525	-	\$ -	-	\$ -	-	\$ 13,736,500
Instruction	66,348,602	15,267,378	-	-	-	-	-	-	81,615,980
Pupil Transportation	6,041,167	-	-	-	-	-	-	-	6,041,167
Employee Benefits	22,339,873	-	182,407	-	-	-	-	-	22,522,280
Debt Service Principal	827,039	-	-	3,310,000	-	-	-	-	4,137,039
Debt Service Interest	691,994	-	-	2,017,626	-	-	-	-	2,709,620
Cost of Cafeteria Sales	-	-	1,878,131	-	-	-	-	-	1,878,131
Capital Outlay	-	-	-	-	-	-	43,349	-	43,349
TOTAL EXPENDITURES	\$ 108,587,650	\$ 15,267,378	\$ 3,458,063	\$ 5,327,626	\$ -	\$ -	\$ 43,349	\$ -	\$ 132,684,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,143,863	-	58,589	(5,294,487)	-	-	(43,349)	-	2,864,616
OTHER FINANCING SOURCES (USES)									
Interfund Transfers In	-	-	-	5,327,626	-	-	-	-	5,327,626
Interfund Transfers Out	(5,327,626)	-	-	-	-	-	-	-	(5,327,626)
TOTAL OTHER FINANCING SOURCES (USES)	(5,327,626)	-	-	5,327,626	-	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ 2,816,237	\$ -	\$ 58,589	\$ 33,139	\$ -	\$ -	\$ (43,349)	\$ -	\$ 2,864,616
FUND BALANCES, BEGINNING OF YEAR	3,004,542	-	5,126	1,729,943	254,641	1,570,836	565,399	(937,002)	6,193,485
FUND BALANCES, END OF YEAR	\$ 5,820,779	\$ -	\$ 63,715	\$ 1,763,082	\$ 254,641	\$ 1,570,836	\$ 565,399	\$ (980,351)	\$ 9,058,101

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS--FIDUCIARY FUNDS

JUNE 30, 2008

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
	<u> </u>	<u> </u>
ASSETS		
Restricted Cash	\$ 249,523	\$ 540,038
Unrestricted Cash	-	88,730
Due from Other Funds	10,335	3,771
	<u> </u>	<u> </u>
	-	-
TOTAL ASSETS	<u>259,858</u>	<u>632,539</u>
LIABILITIES		
Accrued Liabilities	-	10,472
Due to Other Funds	248	533,337
Extraclassroom Activity Balances	-	88,730
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>248</u>	<u>632,539</u>
NET ASSETS		
Held in Trust for Endowment		
Scholarships	<u>259,610</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 259,610</u>	<u>\$ -</u>

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS--FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUND</u>
ADDITIONS	
Interest Income	\$ 8,709
Donations	5,179
TOTAL ADDITIONS	<u>13,888</u>
DEDUCTIONS	
Scholarship Expenses	10,840
TOTAL DEDUCTIONS	<u>10,840</u>
CHANGES IN NET ASSETS	3,048
NET ASSETS, BEGINNING OF YEAR	<u>256,562</u>
NET ASSETS, END OF YEAR	<u>\$ 259,610</u>

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

JUNE 30, 2008

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASIFICATIONS AND ELIMINATIONS	STATEMENT OF NET ASSETS TOTAL
ASSETS				
Unrestricted Cash	\$ 15,678,553	\$ -	\$ -	\$ 15,678,553
Restricted Cash	233,299	-	-	233,299
State and Federal Aid Receivable	9,119,001	-	-	9,119,001
Due From Other Funds	12,812,177	-	(12,812,177)	-
Due From Fiduciary Funds	533,585	-	-	533,585
Other Receivables	1,238,439	-	-	1,238,439
Inventories	131,279	-	-	131,279
Prepaid Expenditures	182,106	-	-	182,106
Capital Assets, net	-	59,341,557	-	59,341,557
TOTAL ASSETS	\$ 39,928,439	\$ 59,341,557	\$ (12,812,177)	\$ 86,457,819
LIABILITIES				
Accounts Payable	\$ 892,804	\$ -	\$ -	\$ 892,804
Accrued Liabilities	1,472,580	-	-	1,472,580
Accrued Interest Payable	-	321,123	-	321,123
Due To Other Funds	12,812,177	-	(12,812,177)	-
Due To Fiduciary Funds	14,106	-	-	14,106
Due To Other Governments	251,611	-	-	251,611
Retainage Payable	117,161	-	-	117,161
Due To Retirement Systems	5,012,827	-	-	5,012,827
Bonds Payable	-	45,040,000	-	45,040,000
Revenue Advance	-	3,666,667	-	3,666,667
Installment Purchase Lease Debt	-	6,181,927	-	6,181,927
Compensated Absences	-	849,977	-	849,977
Health and Workers' Compensation	-	2,695,668	-	2,695,668
Revenue Anticipation Note	9,975,000	-	-	9,975,000
Deferred Revenue	322,072	-	-	322,072
TOTAL LIABILITIES	30,870,338	58,755,362	(12,812,177)	76,813,523
NET ASSETS	9,058,101	586,195	-	9,644,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,928,439	\$ 59,341,557	\$ (12,812,177)	\$ 86,457,819

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATION	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	\$ 17,723,967	\$ -	\$ -	\$ -	\$ -	\$ 17,723,967
Other Tax Items	9,969,115	-	-	-	-	9,969,115
Nonproperty Taxes	2,899,984	-	-	-	-	2,899,984
Charges For Services	131,246	-	-	-	-	131,246
Use of Money and Property	638,030	-	-	-	-	638,030
Sale of Property and Compensation for Loss	319,433	-	-	-	-	319,433
State and Local Sources	89,125,763	133,333	-	-	-	89,259,096
Federal Sources	13,733,710	-	-	-	-	13,733,710
Sales	374,485	-	-	-	-	374,485
Miscellaneous	632,949	-	-	-	-	632,949
TOTAL REVENUES	\$ 135,548,682	\$ 133,333	\$ -	\$ -	\$ -	\$ 135,682,015
EXPENDITURES						
General Support	\$ 13,736,500	\$ -	\$ -	\$ -	\$ (1,397,525)	\$ 12,338,975
Instruction	81,615,980	-	(231,776)	-	-	81,384,204
Pupil Transportation	6,041,167	-	-	-	-	6,041,167
Employee Benefits	22,522,280	946,201	-	(4,137,039)	(182,407)	23,286,074
Debt Service Principal	4,137,039	-	-	(22,736)	-	-
Debt Service Interest	2,709,620	-	-	-	-	2,686,884
Cost of Cafeteria Sales	1,878,131	-	-	-	1,579,932	3,458,063
Capital Outlay	43,349	-	(43,349)	-	-	-
Depreciation Expense	-	-	3,239,088	-	-	3,239,088
TOTAL EXPENDITURES	132,684,066	946,201	2,963,963	(4,159,775)	-	132,434,455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,864,616	\$ (812,868)	\$ (2,963,963)	\$ 4,159,775	\$ -	\$ 3,247,560
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	\$ 5,327,626	-	\$ -	-	\$ -	\$ 5,327,626
Interfund Transfers Out	(5,327,626)	-	-	-	-	(5,327,626)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE FOR THE YEAR	\$ 2,864,616	\$ (812,868)	\$ (2,963,963)	\$ 4,159,775	\$ -	\$ 3,247,560

See notes to financial statements.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Utica City School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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 District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14--*The Financial Reporting Entity*. 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 these 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 the Oneida-Madison BOCES. A Board of Cooperative Educational Services (BOCES) is a 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.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

During the year, the District was billed \$12,396,382 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$6,385,069.

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

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 non-exchange 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.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Aid 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. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund This fund is used to record transactions of the District's breakfast, lunch and milk programs.

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

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 Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Establishes criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Non-exchange 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 the 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 ninety 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. Property Taxes

Real property taxes are levied annually by the Board of Education, no later than September 1 and become a lien on October 1. Taxes are collected during the period October 1, 2007 to April 1, 2008.

Uncollected real property taxes are subsequently enforced by the county in which the District is located. The county pays an amount representing uncollected real property taxes transmitted to the county for enforcement to the District no later than the following April 1.

F. 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 associates legal requirements, many of which are described elsewhere in these Notes.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Transactions

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

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

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

Refer to Note 9 for a detailed disclosure by fund for interfund receivables and payables.

H. 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 computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long lived assets.

I. Cash and Temporary Investments

The District's cash and temporary investments 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 included 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 not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

Investments are stated at fair value.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for inventories has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

Capital assets are reported at actual costs for acquisitions, subsequent to 1990. For assets acquired prior to 1990, estimated historical costs, based on appraisals conducted by independent third party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital 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

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Revenues

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.

N. 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.

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

Consistent with GASB Statement 16 - *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-Wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

O. Other Benefits

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 certain retired employees and their survivors. Healthcare benefits are provided through plans whose premiums are based on 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 expenditure or operating transfer to other funds in the General Fund, in the year paid.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), 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 there is an insufficient or no provision made in the annual budget. The budget notes must be repaid no later than the close of the second fiscal year succeeding the year in which the notes were issued.

The District may issue Bond Anticipation Notes (BAN), 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.

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Equity Classifications

District-Wide Financial Statements

In the District-Wide Financial Statements there are three classes of net assets:

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

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

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Funds Statements

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

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

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.

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.

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.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1--SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve for Workers' Compensation

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.

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 funds 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 Versus Net Assets of Governmental Activities

Total fund balances of the District's governmental funds differ 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.

B. Statement of Revenues, Expenditures and Changes in Fund Balance Versus Statement of Activities

Differences between the 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 expenses 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

JUNE 30, 2008

NOTE 2--EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

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.

The cost of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets amount the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 104,702,655
Accumulated Depreciation	45,361,098

Long-term liabilities are reported in the Statement of Net Assets, but not in the Governmental Funds, because they are not due and payable in the current period. Balances at year-end were:

Revenue Advance	\$ 3,666,667
Health and Workers' Compensation	2,695,668
Bonds and Notes Payable	45,040,000
Compensated Absences Payable	849,977
Energy Performance Installment Lease Purchase Debt	6,181,927

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. Depreciation of \$3,239,088 exceeded capital expenditures of \$275,125 in the current year.

Repayment of bond principal and installment lease purchase debt of \$4,137,039 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2--EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as expenditures in the funds when it is due, and, thus, requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Interest expense in the Statement of Activities represents interest paid, less \$22,736, the result of \$321,123 accrued interest on the District's serial bonds at June 30, 2008 versus accrued interest of \$343,859 at June 30, 2007.

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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.

Budgets are established and used for individual capital project funds expenditures, as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

The District's unreserved, undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 3% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include monitoring the tight budget and the fund balance within New York State's increased limit of 4% for 2008/2009.

The District did not make transfers among functional units in accordance with §170.2(I) of the New York State Commissioner of Education's Regulations, which provide that the Board shall have the power and duty to make transfers between and within functional unit appropriations for teachers' salaries and ordinary contingent expenses. Actions the District plans to pursue to address this issue include making the necessary budget appropriations.

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

NOTE 4 – CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 18,528,295
--	---------------

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$1,092,288 within the governmental funds and \$789,561 in the fiduciary funds.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5--CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets that are not Depreciated				
Land	\$ 1,045,000	\$ -	\$ -	\$ 1,045,000
Construction in Progress	15,486,497	43,349	(15,486,497)	43,349
Total Non-Depreciable Assets	<u>\$ 16,531,497</u>	<u>\$ 43,349</u>	<u>\$ (15,486,497)</u>	<u>\$ 1,088,349</u>
Capital Assets that are Depreciated				
Buildings	\$ 73,325,654	\$ -	\$ 13,263,746	\$ 86,589,400
Site Improvements	2,344,519	-	2,222,751	4,567,270
Furniture and Equipment	12,225,860	434,647	(202,871)	12,457,636
Total Depreciable Assets	<u>87,896,033</u>	<u>434,647</u>	<u>15,283,626</u>	<u>103,614,306</u>
Less Accumulated Depreciation				
Buildings	30,268,508	2,607,324	-	32,875,832
Site Improvements	2,128,858	161,906	-	2,290,764
Furniture and Equipment	9,724,644	566,324	(96,466)	10,194,502
Total Accumulated Depreciation	<u>42,122,010</u>	<u>3,335,554</u>	<u>(96,466)</u>	<u>45,361,098</u>
Total Depreciable Assets, net	<u>\$ 45,774,023</u>	<u>\$ (2,900,907)</u>	<u>\$ 15,380,092</u>	<u>\$ 58,253,208</u>

An updated physical inventory was preformed by an independent party and adjustments have been made.

NOTE 6--SHORT-TERM DEBT

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

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
RAN 2008	3.69%	\$9,975,000	\$ -	\$9,975,000	\$ -	\$ -
RAN 2009	2.25%	-	9,975,000	-	9,975,000	9,975,000
		<u>\$9,975,000</u>	<u>\$9,975,000</u>	<u>\$9,975,000</u>	<u>\$9,975,000</u>	<u>\$9,975,000</u>

Interest paid and expensed on short-term debt for the year amounted to \$366,033.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7--LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government Activities					
Serial Bonds	\$48,350,000	\$ -	\$(3,310,000)	\$45,040,000	\$ 3,440,000
Other Liabilities					
Revenue Advance	3,800,000	-	(133,333)	\$ 3,666,667	-
Installment Lease Purchase Debt	7,008,966	-	(827,039)	6,181,927	868,003
Compensated Absences	1,155,780	-	(305,803)	849,977	-
Total Long-Term Liabilities	<u>\$60,314,746</u>	<u>\$ -</u>	<u>\$(4,576,175)</u>	<u>\$55,738,571</u>	<u>\$ 4,308,003</u>

Existing serial bond obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance at 06/30/08
Serial Bond	07/01/04	07/01/18	4.125% - 4.250%	\$1,510,000
Serial Bond	09/15/04	09/15/18	3.500% - 3.750%	8,975,000
Serial Bond	02/01/04	02/01/19	4.000% - 4.125%	1,915,000
Serial Bond	05/01/04	05/01/19	4.125% - 4.375%	18,980,000
Serial Bond	02/15/00	06/15/18	5.750% - 6.000%	2,100,000
Serial Bond	03/15/99	06/15/18	4.800%	2,530,000
Serial Bond	06/15/98	06/15/18	5.000% - 5.100%	905,000
Serial Bond	06/15/04	06/15/18	4.125% - 4.250%	8,125,000
				<u>\$45,040,000</u>

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7--LONG-TERM DEBT OBLIGATIONS (CONTINUED)

The following is a summary of serial bonds debt service requirements:

Fiscal year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,440,000	\$ 1,880,230	\$ 5,320,230
2010	3,580,000	1,737,501	5,317,501
2011	3,725,000	1,588,303	5,313,303
2012	3,875,000	1,432,533	5,307,533
2013	4,035,000	1,269,386	5,304,386
5 subsequent years	22,930,000	3,623,813	26,553,813
5 subsequent years	<u>3,455,000</u>	<u>138,341</u>	<u>3,593,341</u>
	<u>\$ 45,040,000</u>	<u>\$ 11,670,107</u>	<u>\$ 56,710,107</u>

Installment Lease Purchase Debt

The District entered into an Energy Performance Contract. The terms include eleven (11) interest-only payments at \$19,666 to be paid from escrow, followed by eight (8) quarterly payments at \$293,750, followed by thirty-two (32) quarterly payments at \$288,250.

The following is a summary of capital lease obligations:

Fiscal year ended June 30,	
2009	\$ 1,153,000
2010	1,153,000
2011	1,153,000
2012	1,153,000
2013	1,153,000
5 subsequent years	<u>1,441,250</u>
Total minimum lease payments	7,206,250
Less amount representing interest	<u>(1,024,323)</u>
Present value of minimum lease payments	<u>\$ 6,181,927</u>

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7--LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Interest on long-term debt for the year was composed of the following:

Total Expense	
Interest Paid	\$2,343,587
Less Interest Accrued in the Prior Year	(343,859)
Plus Interest Accrued in the Current Year	<u>321,123</u>
Total Expense	<u><u>\$2,320,851</u></u>

Other Liabilities

In each year ending June 30, 2008 and 2007, the District was granted \$2,000,000 advance on future lottery aid with outstanding balances of \$3,666,667 and \$3,800,000 at June 30, 2008 and 2007, respectively. These advances have been recorded in the long-term debt group of accounts. The District will be obligated to repay \$133,333 of these combined advances each subsequent school year.

NOTE 8--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.

Provisions and Administration

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.

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.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8--PENSION PLANS (CONTINUED)

Funding Policies

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 expensed 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>
2007-2008	\$ 3,261,109	\$ 1,368,978
2006-2007	3,236,306	892,624
2005-2006	3,560,819	1,007,591

NOTE 9--INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 5,110,976	\$ 745,353	\$ -	\$ 5,327,626
Special Aid Funds	3,619,606	7,042,721	-	-
School Lunch Fund	284,394	1,051,501	-	-
Debt Service Fund	1,670,513	-	5,327,626	-
Capital Project Funds	2,660,273	3,986,708	-	-
Total Governmental Activities	13,345,762	12,826,283	5,327,626	5,327,626
Fiduciary Agency Funds	14,106	533,585	-	-
	<u>\$ 13,359,868</u>	<u>\$ 13,359,868</u>	<u>\$ 5,327,626</u>	<u>\$ 5,327,626</u>

NOTE 10--POST-EMPLOYMENT BENEFITS

Post-employment benefits paid, primarily health care, aggregated approximately \$4,950,000 for 630 retirees for the year.

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 11--RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, thefts, damages, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Legal counsel believes any current risks are covered by the appropriate insurance coverage.

The District has a variety of pending law suits, which the District is contesting vigorously. Management has estimated overall exposure for all cases not to exceed \$500,000.

Self Insured Plans

The District has chosen to establish a self-funded health benefit program and workers' compensation plan for its employees. The District has obtained aggregate and specific excess loss insurance associated with the self-funded health benefit program. The benefit programs administrators, Excellus Bluecross Blue-shield and Eagle Claim Service, are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit programs report on a fiscal year ending June 30. The programs are accounted for in the General Fund of the District. At year-end, the District has a liability of \$2,695,668 which represents reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below.

	Current Year Balance At Beginning of Year	Claims and Changes in Estimates	Claims Payments	Balance at End of Year
Claims Reported for the fiscal years ended June 30				
2007	\$ -	\$ 11,490,166	\$ 11,490,166	\$ -
2008	-	13,223,382	13,074,986	148,396
Incurred but not reported for the fiscal years ended June 30				
2007	\$ 2,515,326	\$ (1,071,663)	\$ -	\$ 1,443,663
2008	1,443,663	1,252,004	-	2,695,667

UTICA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 12--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 13--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 \$8,709.

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 14--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.

NOTE 15--SUBSEQUENT EVENT

The District received voter approval July 29, 2008 to issue \$187,600,000 serial bonds to finance renovations, additions, reconstruction, improvements, rehabilitation, repairs, furnishing and equipping school district buildings. The District has commenced the process with legal counsel requesting approval to exceed the statutory debt limit.

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET
(NON-GAAP BASIS) AND ACTUAL--GENERAL FUND

JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL BUDGET VARIANCE WITH BUDGETARY ACTUAL FAV (UN FAV)	
REVENUES					
Local Sources					
Real Property Taxes	\$ 18,207,422	\$ 18,207,422	\$ 17,723,967	\$ (483,455)	
Other Tax Items	9,636,189	9,636,189	9,969,115	332,926	
Non-property Taxes	2,880,000	2,880,000	2,899,984	19,984	
Charges for Services	65,353	65,353	131,246	65,893	
Use of Money and Property	500,880	500,880	604,754	103,874	
Sale of Property and Compensation for Loss	-	-	319,433	319,433	
Miscellaneous	626,909	626,909	632,949	6,040	
Interfund Revenues	100,000	100,000	-	(100,000)	
TOTAL LOCAL SOURCES	32,016,753	32,016,753	32,281,448	264,695	
State Sources					
Federal Aid	83,920,583	83,920,583	83,884,319	(36,264)	
	750,000	750,000	565,746	(184,254)	
TOTAL REVENUES	116,687,336	116,687,336	116,731,513	44,177	
OTHER FINANCING SOURCES					
Interfund Transfers	1,096,111	1,096,111	-	(1,096,111)	
Appropriated Reserves	-	183,552	-	(183,552)	
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 117,783,447	\$ 117,966,999	\$ 116,731,513	\$ (1,235,486)	
EXPENDITURES					
General Support					
Board of Education	\$ 185,751	\$ 186,810	\$ 151,261	\$ 1,293	\$ 34,256
Central Administration	228,671	238,995	236,399	-	2,596
Finance	1,196,965	1,195,683	1,141,079	150	54,454
Staff	670,180	648,773	1,014,818	3,103	(369,148)
Central Services	9,136,569	9,165,394	8,583,079	143,251	439,064
Special Items	1,401,944	1,395,711	1,212,339	-	183,372
TOTAL GENERAL SUPPORT	12,820,080	12,831,366	12,338,975	147,797	344,594
Instruction					
Instruction, Administration and Improvement	4,447,832	5,190,995	4,666,638	3,238	521,119
Teaching - Regular School	38,483,540	38,171,757	37,278,642	40,103	853,012
Programs for Children with Handicapping Conditions	17,832,517	17,745,764	17,811,173	493	(65,902)
Instructional Media	2,678,471	2,753,412	2,536,664	13,834	202,914
Pupil Services	4,377,253	4,329,320	4,055,485	20,689	253,146
TOTAL INSTRUCTION	67,819,613	68,191,248	66,348,602	78,357	1,764,289
Pupil Transportation	5,993,774	6,164,225	6,041,167	6,750	116,308
Employee Benefits	24,544,353	24,174,533	22,339,873	-	1,834,660
Debt Service	1,519,033	1,519,033	1,519,033	-	-
	32,057,160	31,857,791	29,900,073	6,750	1,950,968
TOTAL EXPENDITURES	112,696,853	112,880,405	108,587,650	232,904	4,059,851
OTHER FINANCING USES					
Interfund Transfers	5,086,594	5,086,594	5,327,626	-	(241,032)
TOTAL EXPENDITURES AND OTHER USES	\$ 117,783,447	\$ 117,966,999	\$ 113,915,276	\$ 232,904	\$ 3,818,819
NET CHANGE IN FUND BALANCES			\$ 2,816,237		
FUND BALANCE, BEGINNING OF YEAR			3,004,542		
FUND BALANCE, ENDING OF YEAR			\$ 5,820,779		

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND USE OF UNRESERVED FUND BALANCE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET

Adopted Budget	\$	117,783,447
Add: Prior Year's Encumbrances		<u>183,552</u>
Original Budget		117,966,999
State Aid		<u>-</u>
Final Budget	\$	<u><u>117,966,999</u></u>

USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance		
As of the Beginning of the Year	\$	2,820,990
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>2,820,990</u></u>

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

SCHEDULES OF PROJECTED EXPENDITURES - CAPITAL PROJECT FUND

FOR THE YEAR ENDED JUNE 30, 2008

PROJECT TITLE	APPROPRIATIONS		EXPENDITURES
	ORIGINAL	REVISED	CURRENT YEAR
Capital Project #1			
Proctor High School	\$37,000,000	\$37,000,000	\$ -
Capital Project #2			
Reconstruction of Schools	12,028,367	12,028,367	-
Capital Project #3			
Reconstruction of Schools	8,850,000	8,850,000	-
Non-major Capital Projects	3,312,736	3,262,736	43,349
Various	99,000	99,000	-
	<u>3,411,736</u>	<u>3,361,736</u>	<u>43,349</u>
	<u>\$ 61,290,103</u>	<u>\$ 61,240,103</u>	<u>\$ 43,349</u>

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>CODE</u>	<u>ST-3 AMOUNT</u>	<u>AUDITED AMOUNTS</u>
REVENUES			
Real Property Taxes	A-1001	\$ 17,723,967	\$ 17,723,967
Non-Property Taxes	AT-1199	2,899,984	2,899,984
State Aid	AT-3999	83,884,319	83,884,319
Federal Aid - Medicaid	AT-4999	565,746	565,746
Total Revenues	AT-5999	116,731,513	116,731,513
EXPENDITURES			
General Support	AT-1999	12,338,975	12,338,975
Pupil Transportation	AT-5599	6,041,167	6,041,167
Debt Service - Principal	AT-9798.6	827,039	827,039
Debt Service - Interest	AT-9798.7	691,994	691,994
Total Expenditures	AT-9999	113,915,274	113,915,274

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	NON-MAJOR FUND #1	NON-MAJOR FUND #2	NON-MAJOR FUND #3	TOTAL
ASSETS				
Restricted Cash	\$ 221,904	\$ 5,553	\$ -	\$ 227,457
Due From Other Funds	42,677	-	-	42,677
TOTAL ASSETS	\$ 264,581	\$ 5,553	\$ -	\$ 270,134
LIABILITIES				
Due To Other Funds	\$ 1,198,400	\$ 1,317	\$ 43,349	\$ 1,243,066
TOTAL LIABILITIES	1,198,400	1,317	43,349	1,243,066
FUND BALANCE				
Capital Reserve	(941,238)	4,236	(43,349)	(980,351)
TOTAL FUND BALANCE	(941,238)	4,236	(43,349)	(980,351)
TOTAL LIABILITIES AND FUND BALANCE	\$ 257,162	\$ 5,553	\$ -	\$ 262,715

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENT FUNDS

JUNE 30, 2008

	NON-MAJOR FUND #1	NON-MAJOR FUND #2	NON-MAJOR FUND #3	TOTAL
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital Outlay	-	-	43,349	43,349
TOTAL EXPENDITURES	-	-	43,349	43,349
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(43,349)	(43,349)
FUND BALANCE, BEGINNING OF YEAR	(941,238)	4,236	-	(937,002)
FUND BALANCE, END OF YEAR	\$ (941,238)	\$ 4,236	\$ (43,349)	\$ (980,351)

See paragraph on supplementary schedules included in auditor's report.

UTICA CITY SCHOOL DISTRICT

SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

JUNE 30, 2008

Capital Assets, Net		\$ 59,341,557
Short-Term Portion of Bonds Payable	\$ 3,440,000	
Long-Term Portion of Bonds Payable	<u>41,600,000</u>	45,040,000
Short-Term Portion of Installment Purchase Debt	868,003	
Long-Term Portion of Installment Purchase Debt	<u>5,313,924</u>	<u>6,181,927</u>
Investment in Capital Assets, Net of Related Debt		<u><u>\$ 8,119,630</u></u>

See paragraph on supplementary schedules included in auditor's report.