

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2011**

BATAVIA CITY SCHOOL DISTRICT

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SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As stated in Note 2, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedule on pages 1 through 15 and A34 through A35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules, listed in the table of contents as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 30, 2011



Freed Maxick & Battaglia, CPAs, PC

Management's Discussion and Analysis
Batavia City School District
Fiscal Year ended June 30, 2011

This section of Batavia City School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2011 are as follows:

- The District continues to budget conservatively in these times of economic uncertainty. This budget practice allows the District to continue planning for the long term by setting funds aside in anticipation of future needs while maintaining effective fund balances in a time of financial uncertainty in funding from the State of New York. The District has also been able to make adjustments in its budget over the last several years while absorbing reductions in NYS aid thereby helping to maintain modest minimal growth in the property tax rate over the last five years, while at the same time maintaining most of our educational program offerings. Over the past few years, the District has been able to set aside funds into reserves to plan for long term anticipated increases in expenditures. The District has been able to put funds into the following reserve funds: NYS Employees Retirement which has a total balance of \$754,567; Repairs which has a total balance of \$259,160; Tax Certiorari which has a total balance of \$289,614; Capital which has a total balance of \$684,759, Employee Benefit Liability which has a balance of \$7,862,555 and Unemployment Insurance reserve as indicated below.
- The District continued to fund its Unemployment Insurance reserve during the 2010-11 fiscal year by transferring \$732,095 into this reserve. The District has a total of \$1,406,198 set aside in the Unemployment Insurance reserve to fund unemployment claims.
- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$1,443,354, and this amount was within the statutory limit.
- General revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$38,294,376 or 82.46% of all revenues.

The District has continued to offer retirement incentives during the year and fully funded the 2011-2012 payment as an accrued liability as of June 30, 2011. The remaining balance of \$1,020,000 are recorded as other long term debt.

The District tax levy has increased only \$473,599 over five years or an average of \$94,720 per year which is a minimal average increase of 0.563% increase per year.

- The Governor proposed a mid year cut in NYS State Aid during both the 2008-09 and 2009-10 fiscal years and federal stimulus funds were used to offset the proposed State Aid cuts. The adopted NYS budget in both 2010-11 and 2011-12 fiscal years has resulted in significant reductions in the District's State Aid allocation. These State Aid reductions are known as GAP Elimination Adjustment.

Overview of the Financial Statements

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

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

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

Figure A-1

Organization of Batavia City School District's Annual Financial Report

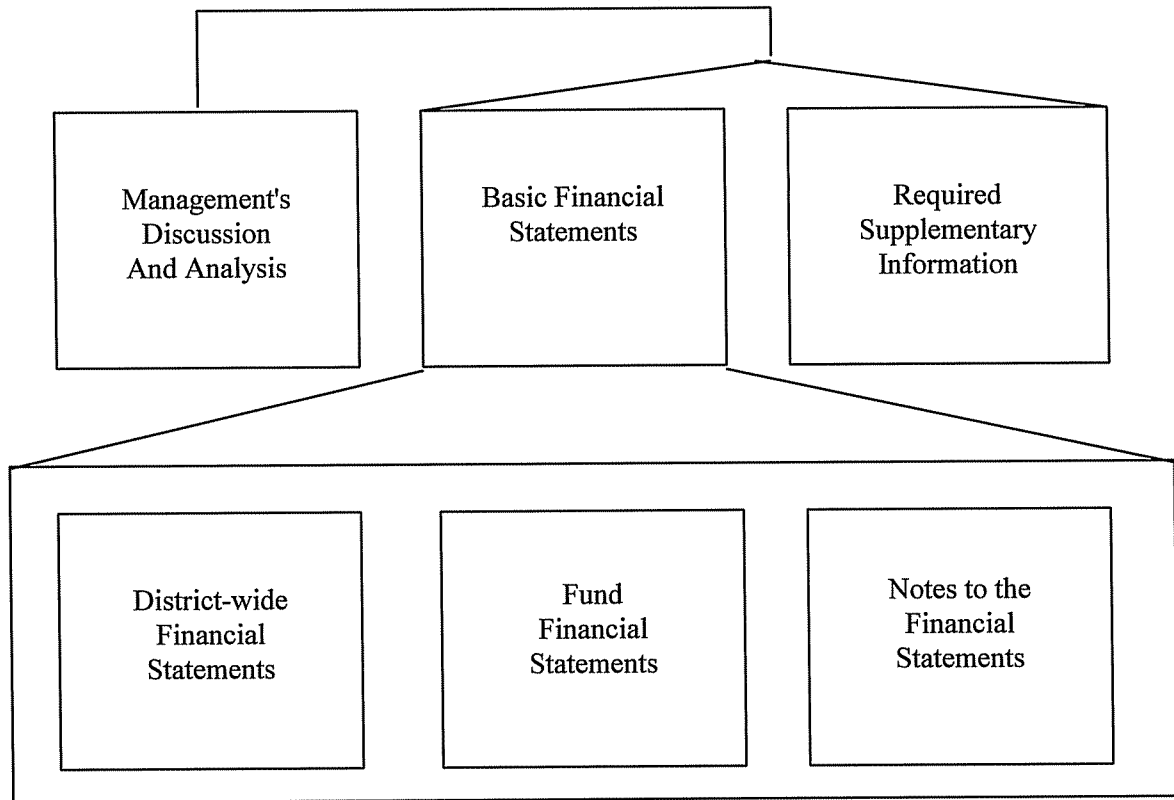


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-wide and Fund Financial Statements			
		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets - Fiduciary Funds • Statement Changes in Net Assets - Fiduciary Fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out-flow information	All revenues and expenditures during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

In the District-wide financial statements, the District's activities are shown as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information included on the reconciliation schedules explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

By far, the largest component of the District's net assets reflects its capital assets, less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, The District's invested in capital assets, net of related debt was \$19,788,882 and constitute 74.32% of total net assets.

The other reserves established by the District are restricted for very specific purposes. The amount that is available from these reserves for spending in the subsequent year is limited to the purpose for which the reserve was established, such as payment of current year retiree health insurance and current year principal and interest payments.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2011	2010	2010-2011
Current and other assets	\$ 21,646	\$ 23,313	-7.15%
Capital assets not being depreciated	2,252	6,043	-62.73%
Capital assets, net of accumulated depreciation	49,045	46,551	5.36%
Total assets	72,943	75,907	-3.90%
Long-term liabilities	42,676	42,450	0.53%
Other liabilities	3,642	8,278	-56.00%
Total liabilities	46,318	50,728	-8.69%
Invested in capital assets, net of related debt	19,788	17,712	11.72%
Restricted for:			
Tax certiorari	290	288	0.69%
Unemployment insurance	1,406	747	88.22%
Employee benefit accrued liability	7,863	7,830	0.42%
Repairs	259	322	-19.57%
Capital projects	685	690	-0.72%
Debt service	2,818	2,948	-4.41%
Retirement contribution	754	752	0.27%
Unrestricted (deficit)	(7,238)	(6,110)	18.46%
Total net assets	\$ 26,625	\$ 25,179	5.74%

Figure A-4

Changes in Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2011	2010	2010-2011
Revenues:			
Real property taxes	\$ 17,040	\$ 16,845	1.16%
Real property tax items	618	613	0.82%
Non-property taxes	706	773	-8.67%
Charges for services	269	231	16.45%
Use of money and property	147	167	-11.98%
Miscellaneous	704	597	17.92%
Sale of property and compensation for loss	76	68	11.76%
State and federal aid	26,369	26,372	-0.01%
School lunch	394	389	1.29%
Debt premium	-	4	100.00%
Total revenues	46,323	46,059	0.57%
Expenses:			
General support	5,663	5,503	2.91%
Instruction	34,101	33,085	3.07%
Transportation	1,135	1,201	-5.50%
Debt service	1,236	1,276	-3.13%
School lunch	1,052	983	7.02%
Depreciation	1,690	1,497	12.89%
Total expenses	44,877	43,545	3.06%
Transfers of Operations:			
Transfer of net assets of the Library Fund	-	(1,141)	100.00%
Change in net assets	\$ 1,446	\$ 1,373	5.32%

Figure A-5

Sources of Revenues for Fiscal Year 2011

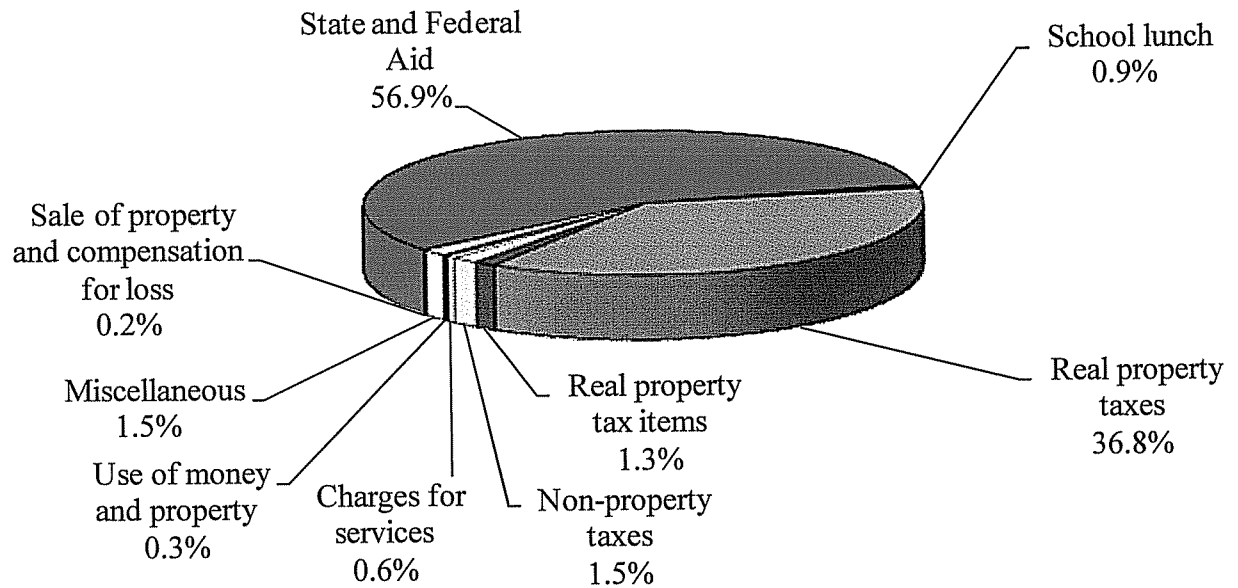
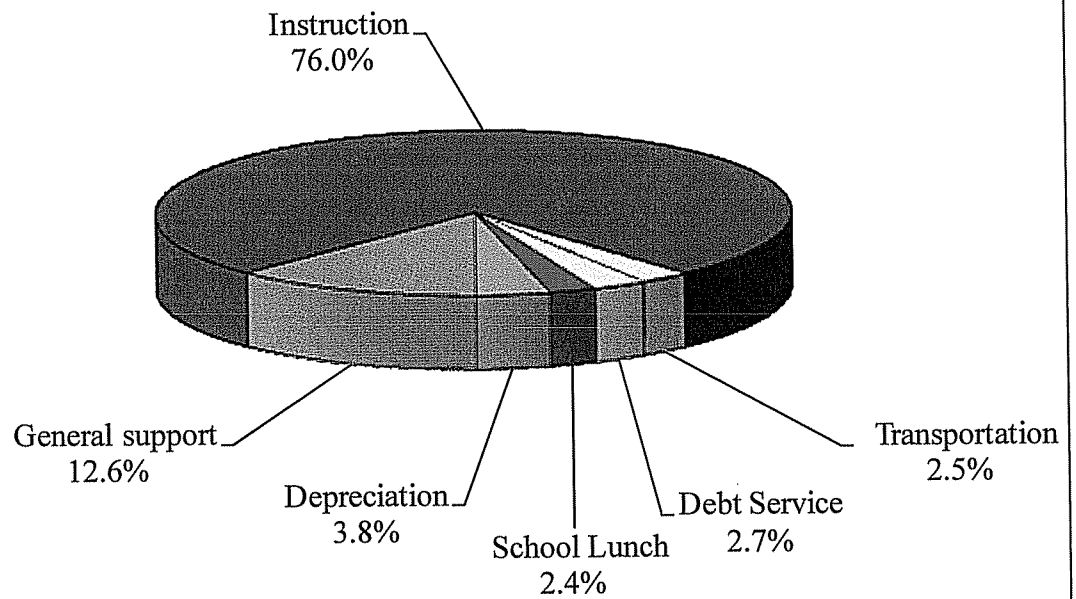


Figure A-6

Expenses for Fiscal Year 2011



Governmental Activities

This section presents the cost of seven major District activities: general support, instruction, pupil transportation, culture and recreation, debt service, school lunch and depreciation. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

Sources of Revenues for Fiscal Year 2011

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010	2010-2011	2011	2010	2010-2011
General support	\$ 5,663	\$ 5,503	2.91%	\$ 5,574	\$ 5,415	2.94%
Instruction	34,101	33,085	3.07%	24,846	24,367	1.97%
Pupil transportation	1,135	1,201	-5.50%	252	356	-29.21%
Debt service	1,236	1,276	-3.13%	1,236	1,276	-3.13%
School lunch	1,052	983	7.02%	(6)	(32)	-81.25%
Depreciation	1,690	1,497	12.89%	1,690	1,497	12.89%
Total	\$ 44,877	\$ 43,545	3.06%	\$ 33,592	\$ 32,879	2.17%

Financial Analysis of The District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds:

The focus of the District's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and amounts to be applied against next year's fund balance.

At the end of the current fiscal year, the District's governmental funds inclusive of capital funds, reported combined fund balances of \$17,583,421. \$6,306,471 constitutes unreserved (assigned and unassigned) fund balance, of which \$1,388,306 has been designated for subsequent years' expenditures (as appropriated fund balance) and represents the amount estimated for use in the 2011-2012 budget. The remainder of the fund balance, \$11,276,950 is reserved (nonspendable or restricted) to indicate that it is not available for new spending because it has already been committed. These reserves have been established in accordance with New York State educational law and their use is restricted for the intended purpose. The District's reserves include: a reserve for tax certiorari proceedings of \$289,614; a reserve for unemployment insurance of \$1,406,198; a reserve for employee benefit accrued liability of \$7,862,555; a reserve for repairs of \$259,160; a capital projects reserve of \$684,759; a reserve for debt service of \$2,817,517; a reserve for encumbrances of \$389,800; a reserve for retirement contribution of \$754,567 and an inventory reserve of \$20,097.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$14,478,313, of which \$1,443,354 or 3.67% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 4.00% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund decreased by \$177,270.

Figure A-8

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

2011

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 38,294	\$ 38,472	\$ 14,478
Debt Service Fund	4,674	4,804	2,818
Special Aid Fund	2,629	2,629	-

2010

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 39,226	\$ 37,625	\$ 14,656
Capital Projects	4	3,592	(3,268)
Debt Service Fund	3,256	4,577	2,948
Special Aid Fund	2,864	2,864	-

General Fund Budgetary Highlights

The District expended a significant amount of its amended budget and conservatively estimated revenues. By taking a conservative approach along with proposed mid year cuts being eliminated, the District was able to maintain its tax certiorari reserve and continued funding of four other reserves in anticipation of future need due to anticipated reductions in State Aid and increases in expenditures. The reserve for employee benefit accrued liability at June 30, 2011 was \$7,862,555 and represents 76.20% of the District's projected total long-term liability for current employee and retiree post employment health insurance costs. The repair reserve, retirement reserve and the unemployment insurance reserve are also funded as part of the District's long range financial plan.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011 the District had capital assets of \$73,831,108 (\$51,297,157, net of accumulated depreciation), invested in a broad range of capital assets including land, construction in progress, buildings, and furniture and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Presently the Batavia City School District maintains an A1 credit rating from Moody's Credit Corporation which is among the highest in Genesee County.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Figure A-9

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2011	2010	2010-2011
Land	\$ 2,252	\$ 2,252	0.00%
Construction in progress	-	3,791	-100.00%
Buildings	47,597	45,399	4.84%
Furniture and equipment	1,448	1,152	25.69%
Total	<u>\$ 51,297</u>	<u>\$ 52,594</u>	<u>-2.47%</u>

Long-Term Obligations

At June 30, 2011, the District had in general obligations and other long-term debt outstanding, as follows:

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

Figure A-10

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2011	2010	2010-2011
General obligation bonds and notes (financed with property taxes)	\$ 31,710	\$ 31,565	0.46%
Retirement incentives	1,020	632	61.39%
Compensated absences	10,317	10,253	0.62%
Total	<u>\$ 43,047</u>	<u>\$ 42,450</u>	<u>1.41%</u>

Factors Bearing on the District's Future

The state comptroller has advised all participating employers that billings from the New York State Employee Retirement System, beginning with the December 2003 bill (billing period April 2003 through March 2004), would be at least 4.5% of eligible payroll. The New York State Employee Retirement System has also informed the participating employer that the rate in effect, for eligible payroll, for the February 2012 bill (billing period April 2011 through March 2012) will be approximately 21.3% for Tier 1 employees (a 40.13% increase); 19.5.0% for Tier 2 employees (a 39.29% increase); 15.6% for Tier 3 employees (a 38.05% increase); 15.6% for Tier 4 employees (a 38.05% increase) and 12.6% for Tier 5 (new tier as of January 1, 2010, an increase of 38.46%). Tentative 2013 rates are as follows: 25.2% for Tier 1 (an 18.31% increase); 23.0% for Tier 2 (an 17.95% increase); 18.4% for both Tiers 3 & 4 (an 17.95% increase) and 14.9% for Tier 5 (an 18.25% increase).

The New York State Teachers' Retirement System has also indicated the rate to be used to calculate the TRS expenditures for 2011-2012 fiscal year will be 11.11% for eligible salaries. This rate is an increase of 28.89% compared to the 2010-2011 rate of 8.62% of eligible salaries, therefore there is a significant change in the School Districts' cost in the next fiscal year.

Contacting the District's Financial Management

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

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 17,752,907
Cash and cash equivalents - restricted	201,725
State and federal aid receivable	2,793,195
Taxes receivable	580,834
Accounts receivable	170,062
Due from other governments	1,366
Due to fiduciary funds	31,496
Prepaid expenses	94,400
Inventory	20,097
Capital assets not being depreciated	2,252,349
Capital assets, net of accumulated depreciation	<u>49,044,808</u>
 Total assets	 <u>72,943,239</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	728,971
Accrued liabilities	817,082
Accrued interest payable	159,649
Due to other governments	12,413
Deferred revenue	6,236
Due to retirement systems	1,917,125
Long-term liabilities:	
Due and payable within one year	4,155,865
Due and payable after one year	<u>38,520,438</u>
 Total liabilities	 <u>46,317,779</u>

NET ASSETS:

Invested in capital assets, net of related debt	19,788,882
Restricted for:	
Tax certiorari	289,614
Unemployment insurance	1,406,198
Employee benefit accrued liability	7,862,555
Repairs	259,160
Capital projects	684,759
Debt service	2,817,517
Retirement contribution	754,567
Unrestricted (deficit)	<u>(7,237,792)</u>
 Total net assets	 <u>\$ 26,625,460</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental activities:					
General support	\$ 4,822,109	\$ 840,568	\$ 88,393	\$ -	\$ (5,574,284)
Instruction	26,682,426	7,418,247	180,639	9,074,012	(24,846,022)
Pupil transportation	1,127,754	7,391	-	882,662	(252,483)
Debt service	1,235,707	-	-	-	(1,235,707)
School lunch	1,052,073	-	394,101	663,958	5,986
Unallocated employee benefits	8,266,206	(8,266,206)	-	-	-
Unallocated depreciation	1,689,737	-	-	-	(1,689,737)
Total governmental activities	\$ 44,876,012	\$ -	\$ 663,133	\$ 10,620,632	(33,592,247)
General revenues:					
Real property taxes					17,040,169
Real property tax items					617,831
Non-property taxes					705,641
Use of money and property					147,173
Sale of property and compensation for loss					75,771
State and federal aid not restricted for a specific purpose					15,748,208
Other miscellaneous revenues					704,153
Total general revenues					35,038,946
Change in net assets					1,446,699
Net assets - beginning of year					25,178,761
Net assets - end of year					\$ 26,625,460

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Debt Service	Special Aid	Non-Major Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 13,661,089	\$ 3,731,445	\$ 114,920	\$ 245,453	\$ 17,752,907
Cash and cash equivalents - restricted	-	-	-	201,725	201,725
State and federal aid receivable	1,940,547	-	803,681	48,967	2,793,195
Taxes receivable	580,834	-	-	-	580,834
Accounts receivable	167,747	-	-	2,315	170,062
Due from other governments	1,366	-	-	-	1,366
Due from other funds	2,013,520	201,725	26,328	-	2,241,573
Prepaid expenses	94,400	-	-	-	94,400
Inventory	-	-	-	20,097	20,097
Total assets	\$ 18,459,503	\$ 3,933,170	\$ 944,929	\$ 518,557	\$ 23,856,159
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 683,945	\$ -	\$ 45,026	\$ -	\$ 728,971
Accrued liabilities	794,837	-	22,150	95	817,082
Due to other governments	-	-	11,446	967	12,413
Due to other funds	26,328	1,115,653	866,234	201,862	2,210,077
Deferred revenue	-	-	73	6,163	6,236
Deferred tax revenue	580,834	-	-	-	580,834
Due to retirement systems	1,895,246	-	-	21,879	1,917,125
Total liabilities	3,981,190	1,115,653	944,929	230,966	6,272,738

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011
(Continued)

	General	Debt Service	Special Aid	Non-Major Funds	Total Governmental Funds
Fund Balances:					
Nonspendable	-	-	-	20,097	20,097
Restricted	11,256,853	-	-	-	11,256,853
Assigned	1,778,106	2,817,517	-	267,494	4,863,117
Unassigned	1,443,354	-	-	-	1,443,354
Total fund balances	<u>14,478,313</u>	<u>2,817,517</u>	<u>-</u>	<u>287,591</u>	<u>17,583,421</u>
Total liabilities and fund balances	<u>\$ 18,459,503</u>	<u>\$ 3,933,170</u>	<u>\$ 944,929</u>	<u>\$ 518,557</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	51,297,157
Long-term liabilities including serial bonds payable, compensated absences, and post employment benefits are not due and payable in the current period and therefore are not reported in the funds.	(42,676,303)
Interest is accrued and reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because it is not due and payable in the current period.	(159,649)
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenue in the Statement of Activities.	<u>580,834</u>
Net assets	<u>\$ 26,625,460</u>

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Debt Service	Special Aid	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Real property taxes	\$ 17,110,588	\$ -	\$ -	\$ -	\$ 17,110,588
Real property tax items	617,831	-	-	-	617,831
Non-property taxes	705,641	-	-	-	705,641
Charges for services	269,032	-	-	-	269,032
Use of money and property	127,959	17,383	-	1,831	147,173
Sale of property and compensation for loss	120,080	-	-	-	120,080
Miscellaneous local sources	497,239	-	144,177	43,702	685,118
Interfund revenues	19,035	-	-	-	19,035
State sources	18,104,377	4,417,134	375,484	29,597	22,926,592
Federal sources	722,594	-	2,085,293	634,361	3,442,248
School lunch	-	-	-	394,101	394,101
Total revenues	38,294,376	4,434,517	2,604,954	1,103,592	46,437,439
EXPENDITURES:					
General support	5,001,694	-	-	240,981	5,242,675
Instruction	24,445,109	-	2,254,320	-	26,699,429
Pupil transportation	1,089,840	-	37,914	-	1,127,754
Debt service	-	4,804,395	-	-	4,804,395
School lunch	-	-	-	1,052,073	1,052,073
Employee benefits	7,849,538	-	336,282	-	8,185,820
Total expenditures	38,386,181	4,804,395	2,628,516	1,293,054	47,112,146

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	General	Debt Service	Special Aid	Non-Major Governmental Funds	Total Governmental Funds
Deficit of revenues over expenditures	(91,805)	(369,878)	(23,562)	(189,462)	(674,707)
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	-	239,225	23,562	61,903	324,690
Interfund transfers out	(85,465)	-	-	(239,225)	(324,690)
Bond proceeds	-	-	-	3,685,000	3,685,000
Total other financing sources (uses)	(85,465)	239,225	23,562	3,507,678	3,685,000
Net change in fund balances	(177,270)	(130,653)	-	3,318,216	3,010,293
Fund balances (deficit) - beginning of year	14,655,583	2,948,170	-	(3,030,625)	14,573,128
Fund balances - end of year	\$ 14,478,313	\$ 2,817,517	\$ -	\$ 287,591	\$ 17,583,421

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	3,010,293
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,689,737) exceeded capital outlays (\$437,569) in the current period.		(1,252,168)
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In the statement of activities, the loss on the disposal of assets is reported as a decrease in financial resources. Thus the change in net assets differs from the change in fund balance by the net book value of the assets sold.		(44,309)
--	--	----------

Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of debt repayments made in the current period.		3,540,000
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Proceeds of debt principal is recorded as an other financing source for governmental funds but it is not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current period.		(3,685,000)
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Increases/decreases in accrued compensated absences reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		(63,836)
--	--	----------

In the Statement of Activities, the liability related to current and long-term retirement system incentives are reported whereas in the governmental funds the current portion to be paid with current financial resources are recorded.		(16,550)
--	--	----------

Interest accrued and reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.		28,688
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Revenues that are deferred are accrued and reported in the Statement of Activities whereas on the governmental funds only revenues that are available to pay current obligations are reported.		(70,419)
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Change in net assets of governmental activities	\$	<u><u>1,446,699</u></u>
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See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 406,860
Cash and cash equivalents - restricted	294,241	102,259
Restricted investments	279,197	-
Accounts receivable	-	447
	<hr/>	<hr/>
Total assets	\$ 573,438	\$ 509,566
	<hr/>	<hr/>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 26,000	\$ -
Agency liabilities	-	375,811
Extraclassroom activity balances	-	102,259
Due to other funds	-	31,496
	<hr/>	<hr/>
Total liabilities	26,000	509,566
NET ASSETS:		
Reserved for scholarships	547,438	-
	<hr/>	<hr/>
Total liabilities and net assets	\$ 573,438	\$ 509,566
	<hr/>	<hr/>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	<hr/>
ADDITIONS:	
Interest	\$ 3,943
Gifts and donations	21,623
Net increase in fair value of investments	<hr/> 43,788
Total additions	69,354
DEDUCTIONS:	
Scholarships	<hr/> 14,631
Change in net assets	54,723
Net assets - beginning of year	<hr/> 492,715
Net assets - end of year	\$ <hr/> <hr/> 547,438

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

The District is governed by the Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education consisting of seven 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 scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

The reporting entity of the District is based upon criteria set forth by Governmental Accounting Standards Board. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Included in the Reporting Entity

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

2. Joint Venture

The District is a component district in the Genesee Valley Educational Partnership (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2011, the District was billed \$5,881,752 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

There is no authority or process by which a school district can terminate its status as a BOCES component school district. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of NYS Education Law.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

1. District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements:

The fund financial statements provide information about the District's funds, including fiduciary funds each of which is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue and expenditures. Funds are organized into two categories (governmental and fiduciary) as presented. An emphasis is placed on major governmental funds, within the governmental fund category. All remaining governmental funds are aggregated and reported as non-major governmental funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the District-wide financial statements, because their resources are not the property of 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. Established 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 employees withholding.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one-year after the end of the fiscal year, with the exception of property taxes, which the period of availability is sixty days.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. PROPERTY TAXES

Real property taxes are levied annually by the Board of Education no later than October 1. Taxes are collected during the period of October through December. Uncollected real property taxes are subsequently enforced by the City of Batavia and Genesee County for the Towns of Batavia and Stafford. The City and County pay an amount representing uncollected taxes transmitted to them for enforcement to the District no later than the forthcoming January 1. Uncollected real property taxes at June 30, 2011 are reported as taxes receivable and deferred tax revenue.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY DATA

1. BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the General Fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by 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.

2. BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only major fund with a legally approved budget for the fiscal year ended June 30, 2011, and therefore, the only fund required to be presented on the Budgetary Comparison Schedule.

Budgets are established and used for individual capital project fund 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.

F. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments are valued at fair market value as of June 30, 2011.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

H. ACCOUNTS RECEIVABLE

Accounts receivables are shown at gross with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since management has determined that all accounts receivable are considered collectible.

I. INVENTORY

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered an immaterial amount.

These assets are classified as nonspendable to signify that portion of fund balance that is not available for other purposes.

J. INTERFUND TRANSACTIONS

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one fiscal year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. In the district-wide statements, eliminations have been made for all interfund receivables, payables and transfers between 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 4., A., 3. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. CAPITAL ASSETS

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,000	straight-line	40 years
Building improvements	2,000	straight-line	40 years
Site improvements	2,000	straight-line	15 years
Vehicles	2,000	straight-line	8 years
Furniture and equipment	2,000	straight-line	5-20 years

L. INSURANCE

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

M. DEFERRED REVENUE

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

N. VESTED EMPLOYEE BENEFITS

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees receive a credit to be applied towards health insurance based on unused accumulated sick leave, based on contractual provisions.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the district-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available resources. Sick time is expensed on a pay-as-you-go basis.

O. OTHER BENEFITS

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of these premiums is paid by the retiree.

P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. FUND EQUITY

District-wide statements:

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

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

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

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

Fund statements:

In the fund statements there are five classes of net assets:

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education.

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balance of the General fund are classified as assigned fund balance.

Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 requires the District to change its fund balance classifications. Details relating to the District's fund balance classifications are provided at Note 4, C.

NOTE 3 - REPORTING ON BUDGETARY BASIS

The District reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balance computed on a GAAP basis and budgetary basis.

GAAP BASIS:

Fund balance - June 30, 2011	\$ 14,478,313
Deduct outstanding encumbrances	<u>389,800</u>
BUDGETARY BASIS - Fund balance - June 30, 2011	<u>\$ 14,088,513</u>

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The District's aggregate bank balances were fully collateralized at June 30, 2011.

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 includes \$102,259 in the Agency Fund restricted for extraclassroom activities, \$294,241 in the Private Purpose Trust Fund restricted for scholarships and \$201,725 in the Capital Projects Fund restricted for unspent bond proceeds.

Investment and Deposit Policy

The District implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON ALL TRANSACTION CLASSES/ACCOUNTS
(Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to between 102% and 105% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

Investments

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

		<u>Cost</u>	<u>Market Value</u> <u>June 30, 2011</u>
198	Shares Comcast Corporation	\$ -	\$ 5,017
34	Shares NCR Corporation	-	647
34	Shares Teradata Corporation	-	2,062
1323	Shares American Telephone and Telegraph, Inc.	2,820	41,556
3527	Shares Putnam Investors Fund, Inc.	27,852	47,619
68	Shares Alcatel-Lucent.	1,141	392
19	Shares LSI Corporation	-	135
3210	Shares Eastman Kodak	200,000	11,492
638	Shares Verizon	5,498	23,753
31	Shares Idearc, Inc.	-	-
12	Shares Fair Point Communications	-	-
3579	Shares JP Morgan Chase	24,319	<u>146,524</u>
			<u>\$ 279,197</u>

For the year ended June 30, 2011, the District recognized an unrealized gain of \$43,788.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2. RECEIVABLES

Major revenues accrued by the District include the following:

Accounts and taxes receivable consists of the following at June 30, 2011:

General Fund:

Accounts receivable:

Tuition receivable	\$ 166,784
Health services to other districts	882
Miscellaneous	<u>81</u>
	167,747

School Lunch Fund	<u>2,315</u>
	\$ <u>170,062</u>

Taxes receivable	\$ <u>580,834</u>
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State and federal aid receivable, consist of the following at June 30, 2011:

General Fund:

State aid - BOCES	\$ 1,366,474
State aid - excess aid	481,749
State aid - general aid	17,822
Federal ARRA	67,812
Miscellaneous	<u>6,690</u>
	\$ <u>1,940,547</u>

Special Aid Fund:

Section 611	\$ 169,266
Section 611 ARRA	111,408
Title I	146,515
Title I ARRA	39,272
Universal Pre-Kindergarten	86,505
Summer school	213,245
Miscellaneous	<u>37,470</u>
	\$ <u>803,681</u>

School Lunch Fund	\$ <u>48,967</u>
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BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3. INTERFUND ACTIVITY

Interfund balances and activity at June 30, 2011 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$2,013,520	\$ 26,328	\$ -	\$ 85,465
School Lunch Fund	-	137	-	-
Special Aid Fund	26,328	866,234	23,562	-
Capital Projects Fund	37,500	201,725	61,903	201,725
Debt Service Fund	201,725	1,153,153	201,725	-
Agency Fund	<u>-</u>	<u>31,496</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,279,073</u>	<u>\$2,279,073</u>	<u>\$287,190</u>	<u>\$ 287,190</u>

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

Interfund receivables and payables were incurred primarily due to repayment for salary expenses paid by the General Fund on behalf of the Special Aid Fund and to the General Fund from the Debt Service Fund for repayment of State aid that had been accrued in the Debt Service Fund.

Interfund transfers from the Capital Projects Fund to the Debt Service Fund for unspent bond proceeds on completed capital projects and repayment of insurance proceeds for Capital Projects from the General Fund.

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/11</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,252,349	\$ -	\$ -	\$ 2,252,349
Construction in progress	<u>3,790,329</u>	<u>192,688</u>	<u>3,983,017</u>	<u>-</u>
Total capital assets, not being depreciated	<u>6,042,678</u>	<u>192,688</u>	<u>3,983,017</u>	<u>2,252,349</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	Balance 6/30/10	Additions	Retirements/ Reclassifications	Balance 6/30/11
Capital assets that are depreciated:				
Buildings	65,065,607	3,795,431	54,840	68,806,198
Furniture and equipment	<u>2,389,794</u>	<u>432,467</u>	<u>49,700</u>	<u>2,772,561</u>
Total capital assets, being depreciated	<u>67,455,401</u>	<u>4,227,898</u>	<u>104,540</u>	<u>71,578,759</u>
Less accumulated depreciation:				
Buildings	19,666,767	1,576,563	33,632	21,209,698
Furniture and equipment	<u>1,237,678</u>	<u>113,174</u>	<u>26,599</u>	<u>1,324,253</u>
Total accumulated depreciation	<u>20,904,445</u>	<u>1,689,737</u>	<u>60,231</u>	<u>22,533,951</u>
Total capital assets, being depreciated, net	<u>46,550,956</u>	<u>2,538,161</u>	<u>44,309</u>	<u>49,044,808</u>
Governmental activities capital assets, net	<u>\$ 52,593,634</u>	<u>\$ 2,730,849</u>	<u>\$ 4,027,326</u>	<u>\$ 51,297,157</u>

B. LIABILITIES

1. PENSION PLANS

The District participates in the New York State and Local Employees' Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

PLAN DESCRIPTIONS

Teachers' Retirement System (TRS)

The New York State Teachers' Retirement System is administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the State Retirement and Social Security Law of the State of New York. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

FUNDING POLICIES

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3.0% to 3.5% of their salary. With the exception of TRS tier V employees, employees in the system more than ten years are no longer required to contribute. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

The District is required to contribute at an actuarially determined rate. The retirement contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2011	\$ 533,413	\$ 1,166,340
2010	364,020	1,370,385
2009	423,484	1,530,008

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

2. **INDEBTEDNESS**

SHORT-TERM DEBT

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Interest on short-term debt amounted to \$37,500.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

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

	Balance <u>6/30/10</u>		<u>Issues</u>		<u>Redeemed</u>		Balance <u>6/30/11</u>
BAN maturing 12/30/10 at 1.00%	\$3,750,000	\$		-	\$3,750,000	\$	-

3. LONG TERM DEBT

- a. **SERIAL BONDS** - The District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded as a liability in the government-wide statements and expenditures in the fund financial statements. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$1,226,895 of expenditures for long-term debt interest.
- b. **OTHER LONG-TERM DEBT** - In addition to the above long-term debt, the District had a non-current liability for compensated absences (see Note 1., N.) and retirement incentives. The District has offered retirement incentives to employee groups to be paid over three to four years. The current portion of the retirement incentives are included in accrued liabilities.
- c. The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance <u>6/30/10</u>	<u>Issued</u>	<u>Redeemed</u>	Balance <u>6/30/11</u>	Due Within <u>One Year</u>
General obligation debt:					
Serial bonds	\$ 31,565,000	\$ 3,685,000	\$ 3,540,000	\$ 31,710,000	\$ 3,640,000
Other long-term debt:					
Compensated absences	10,253,467	1,923,411	1,859,575	10,317,303	515,865
Retirement incentives	<u>906,550</u>	<u>387,550</u>	<u>274,100</u>	<u>1,020,000</u>	<u>371,000</u>
Total long-term liabilities	\$ <u>42,725,017</u>	\$ <u>5,995,961</u>	\$ <u>5,673,675</u>	\$ <u>43,047,303</u>	\$ <u>4,526,865*</u>

*The current portion of the retirement incentive is recorded in accrued liabilities.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

d. The following is a summary of maturity of indebtedness:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/11</u>
Technology project	12/29/10	06/15/25	Various	\$ 3,460,000
Serial bonds	05/15/03	05/15/18	Various	5,585,000
Refunding serial bonds	12/14/02	06/15/14	Various	2,365,000
Improvement project	03/15/04	03/15/19	Various	9,575,000
Serial bonds	11/01/07	06/15/22	Various	<u>10,725,000</u>
Total				<u>\$ 31,710,000</u>

Interest rates are set at the time of the debt issuance and vary throughout the maturity of the debt.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,640,000	\$ 1,178,439
2013	3,670,000	1,053,525
2014	3,815,000	924,175
2015	3,140,000	785,601
2016	3,265,000	672,338
2017-2021	12,015,000	1,583,640
2022-2025	<u>2,165,000</u>	<u>151,913</u>
Total	<u>\$ 31,710,000</u>	<u>\$ 6,349,631</u>

C. FUND BALANCE

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$20,097.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- a. Reserve for Unemployment Insurance - The District is self-funded for unemployment insurance. The reserve is funded annually through budgetary provisions in the General Fund or through approval by the Board of Education.
- b. Reserve for Repairs - This reserve is used to pay the cost of certain repairs of capital improvements and equipment.
- c. Reserve for Employee Benefit Accrued Liability - This reserve is used to reserve funds for the payment of accrued employee benefits due to employees upon termination of service.
- d. Reserve for Tax Certiorari - This reserve is used to pay claims and judgments arising out of tax certiorari proceedings.
- e. Reserve for Capital Projects - This reserve is used to finance future construction, reconstruction, or acquisition of capital improvement items or equipment as authorized when the reserve was established.
- f. Reserve for Retirement Contribution - This reserve is used to fund employer retirement contributions, such as any portion of the amount payable by an eligible school district to the New York State and Local Employees' Retirement System (ERS).

Restricted fund balance includes the following:

General Fund:	
Capital	\$ 684,759
Employee Benefit Accrued Liability	7,862,555
Repairs	259,160
Retirement Contributions	754,567
Tax Certiorari	289,614
Unemployment Insurance	<u>1,406,198</u>
Total restricted funds	<u>\$ 11,256,853</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2011.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as assigned fund balance. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance in the General Fund is comprised of the following:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Appropriated fund balance	\$ 1,388,306
Encumbrances	<u>389,800</u>
	<u>\$ 1,778,106</u>

Appropriated Fund Balance is the amount designated for subsequent year's expenditures which are funds used to reduce taxes in the subsequent year as required by Section 1318 of the Real Property Tax Law.

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned are included with in those fund balance classifications.

Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Resources will generally be spent from budgetary appropriations first. Utilization of reserve funds will be determined based on the legal appropriation of such funds which require either the Board of Education and/or District voter approval. Furthermore, assigned amounts will be considered expended when the transaction for which the assignment was made, does occur.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. WORKERS' COMPENSATION PLAN

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

The District is one of 28 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing to participate in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations. The Plan has established reserve liabilities which provide for current claim expenses. At June 30, 2011 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in an exact amount. Estimated claim liability is calculated based on actuarial and statistical information, which reflects recent settlements and other social and economic factors, as well as past experience.

B. GRANTS

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS

A. THE FINANCIAL REPORTING ENTITY: OMNIBUS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Component units are legally separate organizations that state and local governments include in their financial reports. Statement No. 61 modifies the existing criteria for inclusion of organizations that are “fiscally dependent” on a government. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (*i.e.*, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, with earlier application encouraged

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS (Continued)

**B. CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE
CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure.

While the guidance included largely has been taken "as is" from the original FASB and AICPA pronouncements, it has been modified when appropriate to relate specifically to the governmental environment to increase its usefulness to this audience. By incorporating and maintaining this guidance in a single source, the Statement reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. It also eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES:				
Local sources:				
Real property taxes	\$ 17,079,635	\$ 17,079,635	\$ 17,110,588	\$ 30,953
Real property tax items	567,998	567,998	617,831	49,833
Non-property tax items	920,000	920,000	705,641	(214,359)
Charges for services	111,000	111,000	269,032	158,032
Use of money and property	76,000	76,000	127,959	51,959
Sale of property and compensation for loss	21,500	21,500	120,080	98,580
Miscellaneous local sources	225,000	225,000	497,239	272,239
Interfund revenues	-	-	19,035	19,035
State sources:				
Basic formula	15,284,992	15,284,992	14,974,359	(310,633)
BOCES	2,527,196	2,527,196	2,863,731	336,535
Other	541,315	541,315	266,287	(275,028)
Federal sources	756,120	756,120	722,594	(33,526)
Total revenues	38,110,756	38,110,756	38,294,376	183,620
Other sources:				
Appropriated fund balance	2,428,734	2,428,734	-	(2,428,734)
Total revenues and other sources	\$ 40,539,490	\$ 40,539,490	\$ 38,294,376	\$ (2,245,114)

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES:					
General support:					
Board of education	\$ 11,923	\$ 23,423	\$ 16,466	15	\$ 6,942
Central administration	257,682	263,812	257,876	-	5,936
Finance	864,764	549,456	440,101	20,030	89,325
Staff	244,088	251,549	208,734	-	42,815
Central services	3,711,811	3,887,250	3,246,420	133,972	506,858
Special items	848,012	848,983	832,097	9,525	7,361
Instruction:					
Instruction, administration and improvements	1,549,512	1,587,427	1,427,956	13,055	146,416
Teaching - regular school	12,916,738	13,079,534	12,823,506	67,683	188,345
Programs for children with handicaps	5,122,311	4,844,365	4,184,933	92,666	566,766
Occupational education	963,832	963,832	947,888	-	15,944
Instructional media	2,698,645	3,338,457	3,287,714	24,532	26,211
Pupil services	1,928,090	1,846,225	1,773,112	22,661	50,452
Pupil transportation	1,225,274	1,114,176	1,089,840	-	24,336
Employee benefits	8,171,808	7,855,199	7,849,538	5,661	-
Total expenditures	40,514,490	40,453,688	38,386,181	389,800	1,677,707
Other uses:					
Interfund transfers out	25,000	85,802	85,465	-	337
Total expenditures and other uses	\$ 40,539,490	\$ 40,539,490	\$ 38,471,646	\$ 389,800	\$ 1,678,044
Net change in fund balance			\$ (177,270)		

See independent auditor's report.
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SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Capital Fund</u>	<u>School Lunch</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ -	\$ 245,453	\$ 245,453
Cash and cash equivalents - restricted	201,725	-	201,725
State and federal aid receivable	-	48,967	48,967
Accounts receivable	-	2,315	2,315
Inventory	-	20,097	20,097
	<hr/>	<hr/>	<hr/>
Total assets	\$ 201,725	\$ 316,832	\$ 518,557
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accrued liabilities	-	95	95
Due to other governments	-	967	967
Due to other funds	201,725	137	201,862
Deferred revenue	-	6,163	6,163
Due to retirement systems	-	21,879	21,879
	<hr/>	<hr/>	<hr/>
Total liabilities	201,725	29,241	230,966
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	-	20,097	20,097
Assigned	-	267,494	267,494
	<hr/>	<hr/>	<hr/>
Total fund balances	-	287,591	287,591
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 201,725	\$ 316,832	\$ 518,557
	<hr/>	<hr/>	<hr/>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Capital</u>	<u>School Lunch</u>	<u>Total</u>
REVENUES:			
Use of money and property	\$ 1,159	\$ 672	\$ 1,831
Miscellaneous local sources	-	43,702	43,702
State sources	-	29,597	29,597
Federal sources	-	634,361	634,361
School lunch	-	394,101	394,101
	<u>1,159</u>	<u>1,102,433</u>	<u>1,103,592</u>
Total revenues			
EXPENDITURES:			
General support	240,981	-	240,981
School lunch	-	1,052,073	1,052,073
	<u>240,981</u>	<u>1,052,073</u>	<u>1,293,054</u>
Total expenditures			
Excess (deficit) of revenues over expenditures	(239,822)	50,360	(189,462)
OTHER FINANCING SOURCES (USES):			
Interfund transfers in	61,903	-	61,903
Interfund transfers out	(239,225)	-	(239,225)
Serial bond proceeds	3,685,000	-	3,685,000
	<u>3,507,678</u>	<u>-</u>	<u>3,507,678</u>
Total other financing sources (uses)			
Net change in fund balances	3,267,856	50,360	3,318,216
Net assets - beginning of year	<u>(3,267,856)</u>	<u>237,231</u>	<u>(3,030,625)</u>
Net assets - end of year	\$ <u>-</u>	\$ <u>287,591</u>	\$ <u>287,591</u>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET
TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

Adopted budget	\$ 39,945,756
Additions:	
Encumbrances from prior year	<u>593,734</u>
Original budget	\$ <u>40,539,490</u>

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF USE OF BEGINNING FUND
BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

A909 Fund balance as of beginning of year (unreserved)	\$ 3,432,514
Less:	
A599 Appropriated fund balance used for levy of taxes	<u>1,835,000</u>
Fund balance (undesignated and unreserved)	\$ <u>1,597,514</u>

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance 06/30/11
			Prior Years	Current Year	Total			State Aid	Local Sources	
John Kennedy School - Renovation	\$ 10,100,077	\$ 10,100,077	\$ 10,064,435	\$ -	\$ 10,064,435	\$ 35,642	\$ 10,064,435	\$ -	\$ -	\$ 10,064,435
Robert Morris School - Renovation	1,083,836	1,800,300	1,800,177	-	1,800,177	123	1,800,177	-	-	1,800,177
Richmond Memorial Library - Renovation	482,302	770,500	751,087	-	751,087	19,413	751,087	-	-	751,087
Middle School - Renovation	12,799,662	11,795,000	11,787,193	-	11,787,193	7,807	9,870,438	1,916,755	-	11,787,193
High School - Renovation	18,994,385	18,064,543	17,896,405	-	17,896,405	168,138	17,896,405	-	-	17,896,405
Wireless Technology Upgrade	5,352,321	5,352,321	3,517,565	164,841	3,682,406	1,669,915	3,682,406	-	-	3,682,406
Buildings & Grounds	352,102	352,102	272,764	76,140	348,904	3,198	-	-	348,904	348,904
Total	\$ 49,164,685	\$ 48,234,843	\$ 46,089,626	\$ 240,981	\$ 46,330,607	\$ 1,904,236	\$ 44,064,948	\$ 1,916,755	\$ 348,904	\$ 46,330,607

See independent auditor's report.
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BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2011

	ST-3 <u>Account Code</u>	ST-3 <u>Amount</u>	Audited <u>Amount</u>
REVENUES:			
Property Taxes	A-1001	\$ 13,617,819	\$ 13,617,819
Non Property Taxes	AT-1199	705,641	705,641
State Aid	AT-3999	18,104,377	18,104,377
Federal Aid	AT-4999	722,594	722,594
Total Revenues	AT-5999	38,294,375*	38,294,376
EXPENDITURES:			
General Support	AT-1999	\$ 5,001,695*	\$ 5,001,694
Pupil Transportation	AT-5599	1,089,840	1,089,840
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	38,471,648*	38,471,646

*Rounding differences.

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2011

Capital assets, net		\$ 51,297,157
Add:		
Unspent bond proceeds - Capital Projects Fund		201,725
Deduct:		
Current portion of serial bonds payable	3,640,000	
Long-term portion of serial bonds payable	<u>28,070,000</u>	<u>31,710,000</u>
Invested in capital assets, net of related debt		\$ <u>19,788,882</u>

See independent auditor's report.

SECTION C

SUPPLEMENTARY INFORMATION -

FEDERAL FINANCIAL ASSISTANCE

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program Title</u>	<u>Federal CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Disbursements/</u> <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs:</i>			
None			
<i>Passed through New York State Bureau</i>			
<i>of School Food Management:</i>			
Food Distribution	10.555	N/A	\$ 36,890
National School Lunch Program	10.555	N/A	469,281
National School Breakfast Program	10.553	N/A	<u>128,190</u>
Total U.S. Department of Agriculture			<u>634,361</u>
<u>U.S. Department of Education</u>			
<i>Direct Programs:</i>			
None			
<i>Passed through the State Education</i>			
<i>Department of the State of New York:</i>			
Educationally Deprived Children			
Local Education Agencies			
Title I (2010-2011)	84.010*	0021-11-1000*	579,376
Title I (2009-2010)	84.010*	0021-10-1000*	54,682
ARRA Title I (2010-2011)	84.389*	5021-11-1000*	175,026
Handicapped-State Grants - Part B,			
Education of the Handicapped			
Section 611 (2010-2011)	84.027*	0032-11-0276	680,492
Section 611 (2009-2010)	84.027*	0032-10-0276	27,735
ARRA Section 611 (2010-2011)	84.391*	5032-11-0276	358,690
Federal, State, and Local Partnership for			
Education Improvement - Chapter 2 of ESEA			
Title IIA (2010-2011)	84.367	0147-11-1000	55,800
Title IIA (2009-2010)	84.367	0147-10-1000	61,513
Drug-Free Schools and Communities			
Title IV (2009-2010)	84.186	0180-10-1000	170
Education of the Handicapped			
Section 619 (2010-2011)	84.173*	0033-11-0276	48,244
Section 619 (2009-2010)	84.173*	0033-10-0276	17,063
ARRA Section 619 (2010-2011)	84.392*	5033-11-0276	12,712
Title IID Enhancing Education			
Title IID (2009-2010)	84.318	0292-10-1000	6,056
Education Stabilization Fund - ARRA 2009-2010	84.394*	5000-10-1000	678,120
Career and Technical Education - National Programs	84.051	8000-11-0090	4,114
State Fiscal Stabilization Fund - Race-to-the Top			
Incentive Grants - ARRA	81.395A	5500-11-1000	<u>3,620</u>
Total U.S. Department of Education			<u>2,763,413</u>
Total Expenditures of Federal Awards			<u>\$3,397,774</u>

*Denotes Major Program

See notes to Schedule of Expenditures of Federal Awards.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Batavia City School District (the District), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

All federal financial assistance received was passed-through departments of the State of New York.

NOTE 4 - MAJOR PROGRAM DETERMINATION

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs and all other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed the greater of .3% of the total federal awards or \$100,000 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

NOTE 5 - NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2011, the District received \$36,890 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

SECTION D
INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Batavia City School District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Batavia City School District in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of the Board of Education, the Audit Committee, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 30, 2011



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Batavia City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 30, 2011

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

I. SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs: CFDA#

Title I	84.010/84.389
IDEA Cluster	84.027/84.173/84.391/84.392
State Fiscal Stabilization Fund Cluster	84.394

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

Auditee qualified as low risk? X yes no

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted in the current year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards noted in the current year.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings material to the financial statements noted in the prior year.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards noted in the prior year.

SECTION E
EXTRACLASSROOM ACTIVITY



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on the Statement of Cash Receipts,
Disbursements and Changes in Cash Basis Net Assets of the
Extraclassroom Activity Funds**

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

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2011. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the central treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the year ended June 30, 2011, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

The District's policy is to prepare the financial statements of the Extraclassroom Activity Funds on the basis of cash receipts and disbursements as explained in Note 1 to the financial statement. Accordingly, the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds is not intended to present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 30, 2011

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET ASSETS OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Balance <u>June 30, 2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2011</u>
Class of 2010	\$ 598	\$ -	\$ -	\$ 598
Class of 2011	1,489	57,381	54,595	4,275
Class of 2012	2,659	1,374	59	3,974
Class of 2013	2,396	8,727	4,679	6,444
Class of 2014	-	2,984	1,577	1,407
Batavian	1,437	10,171	9,418	2,190
BHS Student Government	1,745	5,902	5,666	1,981
BHS Ski Club	237	6,700	6,608	329
Sales Lab/BHS Book Store	107	887	674	320
BHS Literary	310	915	1,225	-
BHS Band	715	226	268	673
BHS Chorus	8,531	14,109	14,857	7,783
BHS Assembly	369	498	371	496
BHS Virtual Team	-	4,845	4,506	339
Barber Shop	149	280	158	271
A.P. Fund	796	-	798	(2)
National Honor Society	139	10,124	9,870	393
BHS Language Club	57	-	1	56
SADD	516	3,017	3,412	121
Project Graduation	828	1,488	2,607	(291)
BHS Technology	284	-	-	284
BHS Tennis	55	-	24	31
Tri-M	1,376	784	898	1,262
BMS Band	1,824	-	-	1,824
BMS Yearbook	6,130	10,872	8,670	8,332
BMS Orchestra	7,717	7,654	7,040	8,331
Character Education	343	298	427	214
BMS Assembly	4,426	151	624	3,953
BMS Student Council	1,801	1,194	1,714	1,281
BMS Honor Society	885	988	474	1,399
BMS AHEAD	345	3,922	4,060	207
Outdoor Club	525	3,955	3,964	516
7th Grade - Team I	3,044	-	3,044	-
7th Grade - Team II	3,315	3,870	847	6,338
Subtotal	\$ 55,148	\$ 163,316	\$ 153,135	\$ 65,329

See note to financial statement

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET ASSETS OF THE EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Balance <u>June 30, 2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2011</u>
8th Grade - Team I & II	\$ 718	\$ 7,107	\$ 6,465	\$ 1,360
BMS Book Fair	6	-	1	5
R. Morris Student Council	283	2,128	2,020	391
J. Kennedy Media	3,262	3,911	4,052	3,121
J. Kennedy Council	764	1,086	1,080	770
J. K. Home School Association	-	-	-	-
J.K. 5th Grade	175	8,712	8,408	479
BHS Scholastic Bowl	452	-	-	452
BMS Literacy Magazine	12	-	-	12
High School Production	6,274	8,463	4,249	10,488
Girls Volleyball	2	-	-	2
Jackson Student Council	5,491	362	1,200	4,653
Jackson 5th Grade	219	2,780	2,489	510
BMS 6th South/North	5,154	19,755	19,369	5,540
BMS Ski Club	321	9,688	9,985	24
Pageturners	202	765	643	324
Step team	310	-	-	310
Art Club	261	186	47	400
Model UN	22	-	-	22
BHS Drama	3,516	1,198	812	3,902
RM School Store	262	-	-	262
FORM	3,706	31,571	35,277	-
BMS Drama	689	-	168	521
NYS Sales Tax	2,518	5,440	5,671	2,287
Interest Checking	998	2,448	2,351	1,095
Subtotal	\$ 35,617	\$ 105,600	\$ 104,287	\$ 36,930
Subtotal (E3)	\$ 55,148	\$ 163,316	\$ 153,135	\$ 65,329
Total	\$ 90,765	\$ 268,916	\$ 257,422	\$ 102,259

See note to financial statement

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Assets - Fiduciary Funds at June 30, 2011.

The books and records of the District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Sales Lab, NYS Sales Tax and Interest Checking are not clubs but have been reported as separate line items in the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds for record keeping purposes.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

CASH RECEIPTS

Based on our tests of extraclassroom cash receipts, we noted that student treasurers and advisors are not providing the Central Treasurer with documentation to support the amount of cash collected from fundraising activities. This deficiency has resulted in a qualification of our audit report.

Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued at the point of sale and a preaudit of receipts was available for each major fundraiser. Although some clubs do perform cash receipt reconciliations during some fund-raising events, the controls need to be implemented for all events and by all clubs.

Extraclassroom activity funds are derived from a number of sources such as admissions, sales and campaigns, and donations. The procedures used in collecting and preauditing (checking) these several types of receipts will naturally vary. As far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the preaudit and recording of receipts, statements should be prepared by those collecting money. Such statements should, on the face of them, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and an estimate should be obtained as to the amount of sales tax which will be collected. Such statements should enable those collecting money to prepare a complete report and verify the money turned over to the treasurer. In addition, they will afford protection for those handling funds, facilitate a check, and serve as documentary evidence, which can be used for accounting purposes. A preaudit of receipts should make only reasonable allowances for errors in making change.

Some common types of receipts and suggested controls are as follows:

Admissions - Pre-numbered tickets should be used with a record of the first, last and all unused ticket numbers. Tickets sold multiplied by the price should be reconciled to cash receipts.

Receipts from Sales Campaigning - Students collecting monies should issue pre-numbered receipts in duplicate, the original to the purchaser and the carbon to the student treasurer of the activity. If receipts are not practical (such as a candy sale), the student treasurer with the assistance of the advisor should devise a method whereby the exact amount to be realized by the sale is determined in advance. Each sales person should be given a statement showing the amount which is to be received. After the sale, each salesperson should then turn in that amount in cash and/or unsold goods. Documentation should be filed to back up deposits made by the student treasurer.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011
Continued)

We suggest the administrators of the District, Central Treasurer and advisors review the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds - Finance Pamphlet 2, issued by the State of Education Department which covers internal controls over cash receipts as well as other recommended policies and procedures.

ACTIVITY FUND MANAGEMENT

During our audit of the Extraclassroom Activities Fund, we noted instances in which neither a budget or profit and loss analysis for fund-raising events was prepared.

The Board of Education has the ultimate responsibility for the safeguarding of the Extraclassroom Activity Fund. The Board delegates this responsibility to the Central Treasurer, the Faculty Advisors and the Student Treasurers.

In order to help monitor the plans and operations of the various activities, we suggest that at the start of each school year the activity advisors and activity officers prepare a program outline indicating the various events to be held, the anticipated profits and the plans for the proceeds. A copy of the program outline should be given to the faculty advisor and the Central Treasurer so they can anticipate the various events throughout the year.

As each event is completed, the program outline should be compared to the actual results. The Profit and Loss Analysis should be filed with the activity records for future reference.

DEFINITION

During our audit, it came to our attention that there were some clubs that did not appear to meet the established criteria for an extraclassroom activity. They did not appear to be organized for the benefit of a student organization, nor were the activities of the club conducted by students. Extraclassroom Finance Pamphlet 2 defines an extraclassroom activity as "an organization within a school district whose activities are conducted by and for the students and whose financial support is raised other than by taxation or through charges of the Board of Education." Monies are usually collected voluntarily by students and are spent by them as they see fit so long as they abide by established guidelines.

We recommend that the Board of Education review and evaluate these clubs to determine if they meet the criteria of an Extraclassroom Activity.

RECONCILIATION OF STUDENT LEDGERS

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

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011
Continued)

DEFICIT CLUB BALANCES

At June 30, 2011, the following clubs had deficit cash and fund balance:

- A.P Fund
- Project Graduation

We recommend the Central Treasurer and Faculty Advisor review funds available in each club's account before making any disbursements.