

**AUDITED  
BASIC FINANCIAL STATEMENTS**

**BATAVIA CITY SCHOOL DISTRICT**  
**BATAVIA, NEW YORK**

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**JUNE 30, 2016**

**BATAVIA CITY SCHOOL DISTRICT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>SECTION A</u></b>	
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
<b>Basic Financial Statements:</b>	
Statement of Net Position	A1
Statement of Activities	A2
Balance Sheet - Governmental Funds	A3-A4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	A5-A6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A7
Statement of Fiduciary Net Position	A8
Statement of Changes in Fiduciary Net Position	A9
Notes to Basic Financial Statements	A10-A33
<b>Required Supplementary Information:</b>	
Schedule of Funding Progress for Retiree Health Plan	A34
Budgetary Comparison Schedule for the General Fund	A35-A36
Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) - Employees' and Teachers' Retirement Systems	A37
Schedule of the District's Pension Contributions – Employees' And Teachers' Retirement Systems	A38
<b><u>SECTION B</u></b>	
<b><u>SUPPLEMENTAL SCHEDULES</u></b>	
Combining Balance Sheet – Nonmajor Governmental Funds	B1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	B2

**BATAVIA CITY SCHOOL DISTRICT**

**TABLE OF CONTENTS**  
**(Continued)**

	<b><u>Page</u></b>
Schedule of Change from Adopted Budget to Final Budget - General Fund and the Real Property Tax Limit	B3
Schedule of Project Expenditures - Capital Projects Fund	B4
Schedule of Net Investment in Capital Assets	B5

**SECTION C**  
**SUPPLEMENTARY INFORMATION -**  
**FEDERAL FINANCIAL ASSISTANCE**

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

**SECTION D**  
**INTERNAL CONTROL AND COMPLIANCE**

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 <i>Government Auditing Standards</i>	D1-D2
Independent Auditor's Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	D3-D4
Schedule of Findings and Questioned Costs	D5-D6
Schedule of Prior Year Findings and Questioned Costs	D7

**SECTION E**  
**EXTRAClassroom Activity**

Independent Auditor's Report on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds	E1-E2
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds	E3
Note to Financial Statement	E4

**SECTION A**  
**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents; and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents; and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplementary information, as listed in the table of contents; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 2, 2016

**Management's Discussion and Analysis**  
**Batavia City School District**  
**Fiscal Year ended June 30, 2016**

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The District continues to budget and operate 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 and operations 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 ten years (average increase of 0.68% in the tax levy), while at the same time maintaining most of our educational program offerings. The District's financial conservative strategy allows the District 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: Unemployment Insurance Reserve has a total restricted balance of \$357,009; 2015 Capital Reserve has a total restricted balance of \$2,205,701; Employee Benefit Liability Reserve has a total restricted balance of \$8,331,727; NYS Employees Retirement Reserve has a total restricted balance of \$2,844,052 and Repair Reserve has a total restricted balance of \$721,766. Total restricted reserves as of June 30, 2016 are \$14,460,255.
- The District continued to fund the 2015 Capital Reserve with transfers totaling \$1,023,924. The total year end balances of this reserve is reflected above. Total transfer into reserves from surplus General Fund Budget in 2015-16 was \$189,600. The additional transfer to the 2015 Capital Reserve was \$834,324 which was transferred from the Unemployment Insurance Reserve.
- 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 unassigned fund balance of the General Fund was \$1,744,654 and this amount was within the statutory limit.
- The District has continued to offer retirement incentives and fully funded the 2016-17 payment as an accrued liability as of June 30, 2016. The remaining balance of \$314,100 is recorded as other long term debt.
- General fund revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$42,074,815 or 85.83% of all revenues.
- The District tax levy in the last nine (9) completed fiscal years from 2007-08 through 2015-16, has increased a total of only \$1,189,166 or 6.80% over the past nine (9) years or an average yearly increase of \$132,130 which represents a minimal average annual increase of only 0.76% 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 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16 fiscal years has resulted in significant reductions in the District's State Aid allocation. These State Aid reductions are known as GAP Elimination Adjustments. Over this six (6) year period, the total GAP Elimination Adjustment, or loss of state aid, to Batavia City Schools was \$8,649,970 or an average annual loss on NYS Aid of \$1,441,662. Effective 2016-17 the GAP Elimination Adjustment to State Aid has been eliminated.
- The NYS Tax Cap was implemented in the 2012-13 fiscal year. The District's five year calculated average annual increased allowed by the NYS Tax Cap formula was 3.15%. The District's actual tax levy average increase for these five years was only 0.80%.

### **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 fund 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***

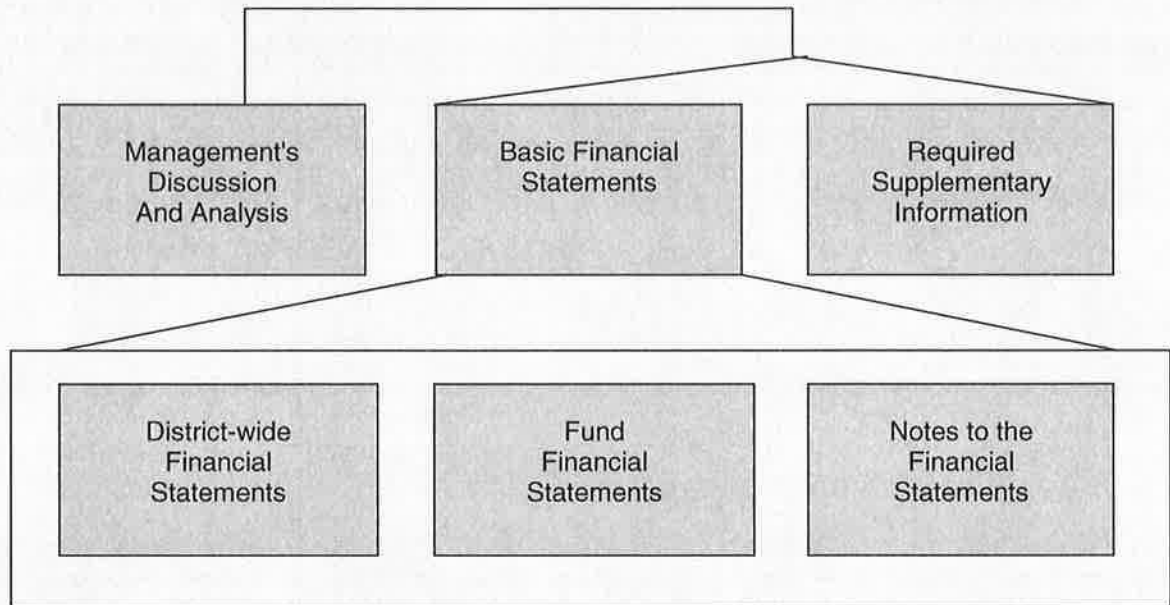


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>			
		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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position - Fiduciary Funds</li> <li>• Statement Changes in Net Position - Fiduciary Fund</li> </ul>
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, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows 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 position 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 position and how they have changed. Net position - 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 position 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 position 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 net investment in capital assets, was \$28,467,444 and constitute 61.24% of total net position.

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 capital improvements.

**Figure A-3**

#### *Condensed Statement of Net Position (in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2016	2015	2015-2016
Current and other assets	\$ 24,333	\$ 27,107	-10.23%
Capital assets not being depreciated	4,980	4,019	23.91%
Capital assets, net of accumulated depreciation	40,768	41,508	-1.78%
TRS pension asset	10,814	11,584	100.00%
Total assets	<u>80,895</u>	<u>84,218</u>	<u>-3.95%</u>
Deferred outflow of resources	<u>4,843</u>	<u>3,118</u>	<u>100.00%</u>
Other liabilities	7,492	7,886	-5.00%
Long-term liabilities	24,791	27,915	-11.19%
ERS pension liability	<u>2,893</u>	<u>583</u>	<u>100.00%</u>
Total liabilities	<u>35,176</u>	<u>36,384</u>	<u>-3.32%</u>
Deferred inflow of resources	<u>4,075</u>	<u>7,960</u>	<u>100.00%</u>
Net Investment in capital assets	28,467	26,737	6.47%
Restricted for:			
Tax certiorari	-	158	-100.00%
Unemployment insurance	357	1,204	-70.35%
Employee benefit accrued liability	8,332	8,327	0.06%
Repairs	722	721	0.14%
Capital projects	2,206	1,871	17.90%
Retirement contribution	2,844	2,842	0.07%
Unrestricted (deficit)	<u>3,559</u>	<u>1,132</u>	<u>214.40%</u>
Total net position	<u>\$ 46,487</u>	<u>\$ 42,992</u>	<u>8.13%</u>

**Figure A-4**

***Changes in Net Position  
(in thousands of dollars)***

	Governmental Activities and Total District		Total Percentage Change
	2016	2015	2015-2016
<b>Revenues:</b>			
Real property taxes	\$ 18,495	\$ 18,501	-0.03%
Real property tax items	631	610	3.44%
Non-property taxes	695	799	-13.02%
Charges for services	204	222	-8.11%
Use of money and property	210	336	-37.50%
Miscellaneous	463	558	-17.03%
Sale of property and compensation for loss	15	201	-92.54%
State and federal aid	28,001	26,843	4.31%
School lunch	343	343	0.00%
Gifts and donations	-	127	100.00%
Total revenues	<u>49,057</u>	<u>48,540</u>	<u>1.07%</u>
<b>Expenses:</b>			
General support	5,451	5,198	4.87%
Instruction	34,725	31,850	9.03%
Pupil Transportation	1,674	1,515	10.50%
Debt service	494	620	-20.32%
School lunch	1,212	1,169	3.68%
Depreciation	<u>2,007</u>	<u>1,948</u>	<u>3.03%</u>
Total expenses	<u>45,563</u>	<u>42,300</u>	<u>7.71%</u>
Change in net position	<u>\$ 3,494</u>	<u>\$ 6,240</u>	<u>-44.01%</u>



## Governmental Activities

This section presents the cost of six major District activities: general support, instruction, pupil transportation, 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-5**

### *Sources of Revenues for Fiscal Year 2016*

#### *Net Cost of Governmental Activities (in thousands of dollars)*

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015	2015-2016	2016	2015	2015-2016
General support	\$ 5,451	\$ 5,198	4.87%	\$ 5,340	\$ 5,086	4.99%
Instruction	34,725	31,850	9.03%	23,239	20,526	13.22%
Pupil transportation	1,674	1,515	10.50%	619	446	38.79%
Debt service	494	620	-20.32%	494	620	-20.32%
School lunch	1,212	1,169	3.68%	39	55	-29.09%
Depreciation	2,007	1,948	3.03%	2,007	1,948	3.03%
Total	\$ 45,563	\$ 42,300	7.71%	\$ 31,738	\$ 28,681	10.66%

### 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 reported combined fund balances of \$16,446,380. \$1,869,066 constitutes unreserved (assigned and unassigned) fund balance, of which \$500,000 has been designated for subsequent years' expenditures (as appropriated fund balance) and represents the amount estimated for use in the 2016-2017 budget. The remainder of the fund balance, \$14,577,314 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 General Fund reserves include: a reserve for unemployment insurance of \$357,009; a reserve for employee benefit accrued liability of \$8,331,727; a reserve for repairs of \$721,766; a capital projects reserve of \$2,205,701; and a reserve for retirement contribution of \$2,844,052.

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 \$17,478,048, of which \$1,774,654 or 4.00% 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% 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 \$1,133,106.

**Figure A-6**

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

<b>2016</b>			
	<b>Revenues</b>	<b>Expenditures</b>	<b>Fund Balances</b>
General Fund	\$ 42,075	\$ 43,208	17,478
Special Aid Fund	2,293	2,293	-
Capital Fund	705	2,057	(2,961)
<b>2015</b>			
	<b>Revenues</b>	<b>Expenditures</b>	<b>Fund Balances</b>
General Fund	\$ 41,544	\$ 40,764	\$ 18,611
Special Aid Fund	2,105	2,105	-
Capital Fund	157	1,464	(1,609)

#### **General Fund Budgetary Highlights**

The District underexpended its amended budget and while conservatively estimating revenues. By continuing a conservative budget approach the District was able to maintain its current reserves while funding the 2015 capital reserve. Funding of reserves are planned in anticipation for the continued uncertainty in State Aid by the GAP Elimination Adjustment; fluctuating costs associated with both the Employees Retirement System and also with Teacher's Retirement System and costs for repairs of capital improvements and equipment. The reserve for the employee benefit accrued liability at June 30, 2016 was \$8,331,727. This represents approximately 90.35% of the District's GASB 45 actuary report of the present value of total future liability for current employee and retirees health insurance costs. In addition, all reserves are evaluated each year as part of the District's long range financial plan.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2016 the District had capital assets of \$45,747,539 (\$40,767,567, net of accumulated depreciation), invested in a broad range of capital assets including land, 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-7**

<b>Capital Assets Net of Depreciation</b> (in thousands of dollars)			
	Governmental Activities and Total District		Percentage Change
	2016	2015	2015-2016
Land	\$ 2,252	\$ 2,252	0.00%
Construction in process	2,728	1,766	54.47%
Buildings	37,416	37,782	-0.97%
Furniture and equipment	3,352	3,727	-10.06%
Total	<u>\$ 45,748</u>	<u>\$ 45,527</u>	<u>0.49%</u>

### Long-Term Obligations

At June 30, 2016, the District had in general obligations and other long-term debt outstanding, as follows:

**Figure A-8**

<b>Outstanding Long-Term Debt</b> (in thousands of dollars)			
	Governmental Activities and Total District		Percentage Change
	2016	2015	2015-2016
General obligation bonds and notes (financed with property taxes)	\$ 13,870	\$ 17,025	-18.53%
Unamortized premium	385	527	100.00%
Retirement incentives	322	234	37.61%
Other post employment benefits	18	-	100.00%
Compensated absences	10,196	10,129	0.66%
Total	<u>\$ 24,791</u>	<u>\$ 27,915</u>	<u>-11.19%</u>



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

### **Factors Bearing on the District's Future**

The State Comptroller has advised all participating employers that billings from the New York State 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 2017 bill (billing period April 2016 through March 2017) will be approximately; 15.9% for Tier 3 and Tier 4 employees (a 14.97% decrease); 13.1% for Tier 5 (new tier as of January 1, 2010), a decrease of 14.94% and 9.3% for Tier 6 (new tier as of April 1, 2012), a decrease of 11.43%. Tentative 2018 rates are as follows: Tier 1 and Tier 2 do not apply as there are no more employees of the District in these Tiers. 15.9% for both Tiers 3 & 4 (no change); 13.1% for Tier 5 (no change) and 9.30% for Tier 6 (no change).

The New York State Teachers' Retirement System has also indicated the employer contribution rate to be used to calculate the TRS expenditures for 2016-17 fiscal year will be 11.72% of eligible salaries. This is a decrease of 11.61% compared to 2015-16. In the 2015-16 fiscal year, the rate was 13.26% or a decrease of 24.36% compared to 2014-15. In the 2014-15 fiscal year, the rate was 17.52% or a increase of 7.88% compared to 2013-14. In 2013-14 the fiscal year was 16.25% or a increase of 37.25% compared to 2012-13. In 2012-13 fiscal year the rate was 11.84% or a increase of 6.57% compared to the 2011-12 rate of 11.11%. The 2011-12 rate was 11.11% or a increase of 28.89% compared to the 2010-2011 rate of 8.62% of eligible salaries. The rate varies and annual changes can be quite unpredictable but the historical average rate over 39 years is 10.99%.

### **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 POSITION**  
**JUNE 30, 2016**

**ASSETS**

Cash and cash equivalents	\$ 20,299,480
State and federal aid receivable	1,879,296
Taxes receivable	491,499
Accounts receivable	113,458
Due from fiduciary funds	4,562
Due from other governments	1,427,648
Prepays	96,800
Inventory	20,259
Capital assets not being depreciated	4,979,972
Capital assets, net of accumulated depreciation	40,767,567
Net TRS pension asset - proportionate share	10,813,982
Total assets	<u>80,894,523</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows	2,569,851
Deferred pension outflows - contributions subsequent to the measurement date	2,273,125
Total deferred outflows of resources	<u>4,842,976</u>

**LIABILITIES**

Accounts payable	1,209,423
Accrued liabilities	759,710
Bond anticipation note payable	3,025,419
Accrued interest payable	94,748
Due to other governments	16,278
Unearned revenue	8,332
Due to retirement systems	2,377,805
Long-term liabilities:	
Due and payable within one year	3,896,818
Due and payable after one year:	
Other	20,893,862
Net ERS pension liability - proportionate share	2,893,420
Total liabilities	<u>35,175,815</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows	4,074,829
Total deferred inflows of resources	<u>4,074,829</u>

**NET POSITION**

Net investment in capital assets	28,467,444
Restricted for:	
Unemployment insurance	357,009
Employee benefit accrued liability	8,331,727
Repairs	721,766
Capital reserve	2,205,701
Retirement contribution	2,844,052
Unrestricted	3,559,156
Total net position	<u>\$ 46,486,855</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		Net Expense and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Governmental activities:					
General support	\$ 4,710,060	\$ 740,525	\$ 110,648	\$ -	\$ (5,339,937)
Instruction	28,458,116	6,267,311	93,422	11,393,659	(23,238,346)
Pupil transportation	1,667,452	7,284	-	1,055,623	(619,113)
Interest	493,651	-	-	-	(493,651)
School lunch	1,211,513	-	343,293	829,028	(39,192)
Unallocated employee benefits	7,015,120	(7,015,120)	-	-	-
Unallocated depreciation	2,007,319	-	-	-	(2,007,319)
Total governmental activities	\$ 45,563,231	\$ -	\$ 547,363	\$ 13,278,310	(31,737,558)
General revenues:					
Real property taxes					18,495,169
Real property tax items					631,356
Non-property taxes					695,374
Use of money and property					209,774
Sale of property and compensation for loss					14,386
State and federal aid not restricted for a specific purpose					14,722,684
Other miscellaneous revenues					463,179
Total general revenues					35,231,922
Change in net position					3,494,364
Net position - beginning of year					42,992,491
Net position - end of year					\$ 46,486,855

See notes to basic financial statements.  
A2

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,768,965	\$ 19,589	\$ -	\$ 1,510,926	\$ 20,299,480
State and federal aid receivable	722,596	1,109,921	-	46,779	1,879,296
Taxes receivable	491,499	-	-	-	491,499
Accounts receivable	110,918	-	-	2,540	113,458
Due from other governments	1,427,648	-	-	-	1,427,648
Due from other funds	1,121,950	-	64,395	381,833	1,568,178
Prepays	96,800	-	-	-	96,800
Inventory	-	-	-	20,259	20,259
Total assets	\$ 22,740,376	\$ 1,129,510	\$ 64,395	\$ 1,962,337	\$ 25,896,618
<b>LIABILITIES</b>					
Accounts payable	\$ 1,209,423	\$ -	\$ -	\$ -	\$ 1,209,423
Accrued liabilities	736,539	12,120	-	11,051	759,710
Bond anticipation note payable	-	-	3,025,419	-	3,025,419
Due to other governments	15,390	2	-	886	16,278
Due to other funds	446,228	1,117,388	-	-	1,563,616
Unearned revenue	3,000	-	-	5,332	8,332
Due to retirement systems	2,362,093	-	-	15,712	2,377,805
Total liabilities	4,772,673	1,129,510	3,025,419	32,981	8,960,583
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	489,655	-	-	-	489,655
Total deferred inflows of resources	489,655	-	-	-	489,655

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**  
**(Continued)**

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable	96,800	-	-	20,259	117,059
Restricted	14,460,255	-	-	-	14,460,255
Assigned	1,146,339	-	(2,961,024)	1,909,097	94,412
Unassigned	1,774,654	-	-	-	1,774,654
Total fund balances (deficit)	17,478,048	-	(2,961,024)	1,929,356	16,446,380
Total liabilities, deferred inflows of resources and fund balances	\$ 22,740,376	\$ 1,129,510	\$ 64,395	\$ 1,962,337	

Amounts reported for governmental activities in the statement of net position 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	45,747,539
Pension assets (TRS) used in governmental activities are not financial resources and therefore are not reported in the funds	10,813,982
Long-term liabilities including serial bonds payable, compensated absences, and retirement incentives are not due and payable in the current period and therefore are not reported in the funds.	(24,790,680)
Pension liabilities (ERS) are not due and payable in the current period and therefore are not reported in the funds	(2,893,420)
Deferred outflows and inflows are not due and payable in the current period and therefore are not reported in the funds	768,147
Interest is accrued and reported in the district-wide statement of net position but not on the fund basis balance sheet because it is not due and payable in the current period.	(94,748)
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.	489,655
Net position of governmental activities	\$ 46,486,855

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 18,453,822	\$ -	-	-	\$ 18,453,822
Real property tax items	631,356	-	-	-	631,356
Non-property taxes	695,374	-	-	-	695,374
Charges for services	204,070	-	-	-	204,070
Use of money and property	208,852	-	225	697	209,774
Sale of property and compensation for loss	18,059	-	-	-	18,059
Miscellaneous local sources	372,030	-	14,143	59,923	446,096
Interfund revenues	17,083	-	-	-	17,083
Premium on obligations	-	-	-	20,331	20,331
State sources	21,412,814	490,240	-	3,460,924	25,363,978
Federal sources	61,355	1,772,590	-	803,071	2,637,016
School lunch	-	-	-	343,293	343,293
Total revenues	42,074,815	2,262,830	14,368	4,688,239	49,040,252
<b>EXPENDITURES</b>					
Current:					
General government	4,868,999	-	-	-	4,868,999
Instruction	26,459,004	2,041,967	-	-	28,500,971
Pupil transportation	1,620,714	46,738	-	-	1,667,452
School lunch	-	-	-	1,211,513	1,211,513
Employee benefits	9,168,987	203,836	-	-	9,372,823
Debt service:					
Principal	-	-	-	3,155,000	3,155,000
Interest	-	-	-	691,062	691,062
Capital outlay:					
General government	-	-	2,030,261	-	2,030,261
Total expenditures	42,117,704	2,292,541	2,030,261	5,057,575	51,498,081

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, 2016**  
**(Continued)**

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
Deficit of revenues over expenditures	(42,889)	(29,711)	(2,015,893)	(369,336)	(2,457,829)
OTHER FINANCING SOURCES (USES)					
Transfer from capital reserve	(690,506)	-	690,506	-	-
Interfund transfers in	-	29,711	-	396,136	425,847
Interfund transfers out	(399,711)	-	(26,136)	-	(425,847)
Total other financing sources (uses)	(1,090,217)	29,711	664,370	396,136	-
Net change in fund balances	(1,133,106)	-	(1,351,523)	26,800	(2,457,829)
Fund balances - beginning	18,611,154	-	(1,609,501)	1,902,556	18,904,209
Fund balances - ending	\$ 17,478,048	\$ -	\$ (2,961,024)	\$ 1,929,356	\$ 16,446,380

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, 2016**

Net change in fund balances - total governmental funds \$ (2,457,829)

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 capital outlays (\$2,232,055) exceeded depreciation (\$2,007,319) in the current period. 224,736

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 position differs from the change in fund balance by the net book value of the assets sold. (3,673)

Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments made in the current period. 3,155,000

Governmental funds report the effect of premiums when debt is first issued in the fund basis statement of revenues, expenses and changes in fund balances whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. 142,034

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. (66,497)

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. (87,283)

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. 35,046

(Increase) decrease in proportionate share of net pension asset (liability) reported in the statement of net position 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 (ERS \$2,310,335, TRS \$769,865). (3,080,200)

(Increase) decrease in proportionate share of net deferred inflows and outflows reported in the statement of net position during the measurement period between the District's contributions and its proportionate share of the total contributions to the pension systems subsequent to the measurement date 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 (ERS \$2,056,202, TRS \$3,553,900). 5,610,102

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. 41,347

On the statement of activities, the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits. (18,419)

Change in net position of governmental activities \$ 3,494,364



**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	Private Purpose Trust	Agency
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 512,771
Cash and cash equivalents - restricted	249,039	108,459
Restricted investments	404,491	-
Accounts receivable	-	2,429
Due from BCSD foundation	356	-
	<hr/>	<hr/>
Total assets	\$ 653,886	\$ 623,659
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,500	\$ -
Agency liabilities	-	510,638
Extraclassroom activity balances	-	108,459
Due to other funds	-	4,562
	<hr/>	<hr/>
Total liabilities	5,500	623,659
<b>NET POSITION</b>		
Restricted for scholarships	648,386	-
	<hr/>	<hr/>
Total liabilities and net position	\$ 653,886	\$ 623,659
	<hr/>	<hr/>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Private Purpose Trust
	<hr/>
ADDITIONS	
Interest	\$ 11,868
Gifts and donations	<hr/> 16,124
Total additions	27,992
DEDUCTIONS	
Scholarships	25,828
Net decrease in fair value of investments	<hr/> 5,153
Total deductions	<hr/> 30,981
Change in net position	(2,989)
Net position - beginning	<hr/> 651,375
Net position - ending	<hr/> <hr/> \$ 648,386

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. 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. 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 are primarily accountable 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 the 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.

**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 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.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

BOCES is organized under Section 1950 of NYS 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, 2016, the District was billed \$7,693,116 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.

**B. BASIS OF PRESENTATION**

**1. DISTRICT-WIDE STATEMENTS:**

While separate government-wide and fund financial statements are presented, they are interrelated. The Statement of Net Position 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. Separate statements for each fund category – governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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.

Additionally, the District reports the following fund types:

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 from these trust agreements.

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 the timing of related cash flows. 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. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

**D. BUDGETARY INFORMATION**

**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.

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

**2. BUDGETARY BASIS OF ACCOUNTING**

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2016, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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 that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. 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.

Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

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

**2. 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.

**3. INVESTMENTS**

Investments for the District are reported at fair value (generally based on quoted market prices).

**4. ACCOUNTS RECEIVABLE**

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for doubtful account, however, no allowance for uncollectible accounts has been provided since management believes that such allowance would not be material.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. INVENTORY AND PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

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 immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

**6. CAPITAL ASSETS**

Capital assets, which include property and equipment are reported in the district-wide financial statements.

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. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. 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	30-40 years
Building improvements	2,000	straight-line	15-30 years
Site improvements	2,000	straight-line	15-30 years
Vehicles	2,000	straight-line	8-15 years
Furniture and equipment	2,000	straight-line	5-40 years

**7. INSURANCE**

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



**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. See details of deferred pension outflows in Note 2.E.

In addition to liabilities, the Statement of Net Position or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 2.E.

**9. UNEARNED REVENUE**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant funds are received prior to the occurrence of qualifying expenditures. In subsequent periods when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**10. COMPENSATED ABSENCES**

Compensated absences consist of unpaid accumulated sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

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.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**11. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES**

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 governmental 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 governmental fund financial statements when due.

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

**12. POST EMPLOYMENT BENEFITS**

The District provides post employment benefits in the form of health insurance. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 2., F.).

**13. NET POSITION FLOW ASSUMPTION**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**14. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determines the order of application of expenditures to which fund balance classifications will be charged.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. FUND BALANCE POLICIES**

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Administrator to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**F. REVENUES AND EXPENDITURES/EXPENSES**

**1. PROGRAM REVENUES**

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. PROPERTY TAXES**

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the City of Batavia, in which the District is located. Uncollected real property taxes transmitted to the City for enforcement are paid by the City to the District no later than the forthcoming January 1. Uncollected real property taxes at June 30, 2016 are reported as taxes receivable and unearned tax revenue.

**G. USE OF ESTIMATES**

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

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB has issued the following new statements:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will be effective for June 30, 2018.
- Statement No. 77, *Tax Abatement Disclosures*, which will be effective for the year ending June 30, 2017.

**I. SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after September 2, 2016 which is the date these financial statements were available to be issued.

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS 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.

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, 2016.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end \$108,459 within the Agency Fund restricted for extraclassroom activities, and \$249,039 in the Private Purpose Trust Fund restricted for scholarships.

**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, 2016</u>
198	Shares Comcast Corporation	\$ -	\$ 12,908
34	Shares NCR Corporation	-	951
34	Shares Teradata Corporation	-	859
1323	Shares American Telephone and Telegraph, Inc.	2,820	57,167
3527	Shares Putnam Investors Fund, Inc.	27,852	74,144
68	Shares Alcatel-Lucent	1,141	262
3210	Shares Eastman Kodak	200,000	-
638	Shares Verizon	5,498	35,626
12	Shares Fair Point Communications	-	176
3579	Shares JP Morgan Chase	24,319	222,398
			<u>\$ 404,491</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

For the year ended June 30, 2016, the District recognized a net decrease in the value on investments of \$5,153.

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.

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 102% 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.

**B. RECEIVABLES**

Significant revenues accrued by the District include the following:

Accounts receivable consist of the following at June 30, 2016:

General Fund	
Taxes Receivable	\$ <u>491,499</u>
Due from other governments	
BOCES' aid	\$ 1,425,456
Miscellaneous	<u>2,192</u>
	\$ <u>1,427,648</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

State and federal aid receivable, consists of the following at June 30, 2016:

General Fund	
State Aid – excess cost aid	\$ <u>722,596</u>
Special Aid Fund	
Section 619	33,407
Section 611	311,976
Title VI	16,250
Title I	230,174
Universal Pre-Kindergarten	87,844
Summer school	380,818
Teacher Resource Center	24,516
Title IIA	<u>24,936</u>
	1,109,921
School Lunch Fund	<u>46,779</u>
Total	\$ <u>1,879,296</u>

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Balance <u>7/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/16</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,252,349	\$ -	\$ -	\$ 2,252,349
Construction work in progress	<u>1,766,433</u>	<u>2,030,261</u>	<u>1,069,071</u>	<u>2,727,623</u>
Total capital assets not being depreciated	4,018,782	2,030,261	1,069,071	4,979,972
Capital assets being depreciated:				
Buildings	58,920,964	1,069,071	-	59,990,035
Furniture and equipment	<u>12,732,742</u>	<u>201,794</u>	<u>26,375</u>	<u>12,908,161</u>
Total capital assets, being depreciated	<u>71,653,706</u>	<u>1,270,865</u>	<u>26,375</u>	<u>72,898,196</u>
Less accumulated depreciation:				
Buildings	21,140,499	1,433,218	-	22,573,717
Furniture and equipment	<u>9,005,513</u>	<u>574,101</u>	<u>22,702</u>	<u>9,556,912</u>
Total accumulated depreciation	<u>30,146,012</u>	<u>2,007,319</u>	<u>22,702</u>	<u>32,130,629</u>
Total capital assets being depreciated, net	<u>41,507,694</u>	<u>(736,454)</u>	<u>3,673</u>	<u>40,767,567</u>
Governmental activities capital assets, net	\$ <u>45,526,476</u>	\$ <u>1,293,807</u>	\$ <u>1,072,744</u>	\$ <u>45,747,539</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**D. ACCRUED LIABILITIES**

Accrued liabilities reported by the District at June 30, 2016, were as follows:

	General Fund	Special Aid Fund	Capital and Non Major Funds	Total
Salary and employee benefits	\$ 305,511	\$ 12,120	\$ 2,672	\$ 320,303
Accrued vacation	200,109	-	8,379	208,488
BTA sick bank	37,402	-	-	37,402
Retirement incentives	193,517	-	-	193,517
Total accrued liabilities	<u>\$ 736,539</u>	<u>\$ 12,120</u>	<u>\$ 11,051</u>	<u>\$ 759,710</u>

**E. PENSION OBLIGATIONS**

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

**PLAN DESCRIPTIONS AND BENEFITS PROVIDED**

**Teachers' Retirement System (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

**Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**CONTRIBUTIONS**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31<sup>st</sup>. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (2,893,420)	\$ 10,813,982
District's portion of the Plan's total net pension asset/(liability)	.0180272%	.104113%

For the year ended June 30, 2016, the District's recognized pension expense of \$1,052,200 for ERS and \$(717,144) for TRS, respectively. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:



**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

	<u>Deferred Outflows Of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 14,621	\$ -	\$ 342,967	\$ 299,702
Changes of assumptions	771,588	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,716,535	-	-	3,418,356
Changes in proportion and differences between the District's contributions and proportionate share of contributions	<u>67,107</u>	<u>-</u>	<u>-</u>	<u>13,804</u>
Total	<u>\$2,569,851</u>	<u>\$ -</u>	<u>\$ 342,967</u>	<u>\$3,731,862</u>
District's contributions subsequent to the measurement date	<u>\$ 208,157</u>	<u>\$2,064,968</u>	<u>\$ -</u>	<u>\$ -</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$564,976	\$(1,380,725)
2018	564,976	(1,380,725)
2019	564,976	(1,380,725)
2020	531,956	566,519
2021	-	(39,325)
Thereafter	-	(116,881)

**ACTUARIAL ASSUMPTIONS**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.0%	8.0%
Salary Scale	3.8%	4.01% - 10.91%
Decrement tables	April 1, 2010 – March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS June 30, 2015	ERS March 31, 2016
Measurement Date				
<b>Asset Class:</b>				
Domestic equities	37.0%	38.0%	6.5%	7.3%
International equities	18.0	13.0	7.7	8.6
Private equity	-	10.0	-	11.0
Real estate	10.0	8.0	4.6	8.3
Alternative Investments	7.0	-	9.9	-
Absolute return strategies	20.0	3.0	1.9	6.8
Opportunistic portfolio	-	3.0	-	8.6
Real assets	-	3.0	-	8.7
Bond and Mortgages	8.0	18.0	3.4	4.0
Cash	-	2.0	-	2.3
Inflation-indexed bonds	-	2.0	-	4.0
Total	<u>100.0%</u>	<u>100.0%</u>		

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION**

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 7.0% for TRS ) or 1-percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$(6,524,452)	\$ (2,893,420)	\$ 174,647

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (737,653)	\$10,813,982	\$20,665,101

**PENSION PLAN FIDUCIARY NET POSITION**

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	ERS	TRS (Dollars in Thousands)	Total
Measurement date	March 31, 2016	June 30, 2015	
Employers' total pension liability	\$ 172,303,544	\$ 99,332,104	\$ 271,635,648
Plan net position	156,253,265	109,718,917	265,972,182
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>	<u>\$ (5,663,466)</u>
Ratio of Plan net position to the Employers' total pension asset/(liability)	90.7%	110.46%	

**PAYABLES TO THE PENSION PLAN**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$208,157.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$2,169,648.

**F. OTHER POST EMPLOYMENT BENEFITS OBLIGATIONS (OPEB)**

**PLAN DESCRIPTION**

The Batavia City School District administers the Batavia City School District Retiree Group Health Benefits Program (the Plan) as a single-employer defined benefit Other Post Employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**FUNDING POLICY**

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

**ACCOUNTING POLICY**

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the District's net OPEB obligation to the Plan at June 30, 2016:

**Annual OPEB Cost and Net OPEB Obligation**

Annual required contribution	\$ 593,099
Interest on OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>593,099</u>
Net OPEB contributions made during the fiscal year	<u>(574,680)</u>
Net OPEB obligation for the current fiscal year	18,419
Net OPEB obligation at beginning of year	-
Net OPEB obligation at end of year	<u>\$ 18,419</u>
Percentage of expense contributed	97%

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The District's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the current fiscal year ended June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 593,099	\$ 574,680	97%	\$ 18,419

**FUNDED STATUS AND FUNDING PROGRESS**

As of June 30, 2016, the most recent actuarial valuation performed, the actuarial accrued liability for benefits was \$4,136,545, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,084,032, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.62%. The total post employment health insurance cost to the District for 98 retirees was \$574,680 for the year ended June 30, 2016.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The June 30, 2016, actuarial valuation, utilized the projected unit credit method. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the District's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an ultimate healthcare cost trend of 3.9 percent. Both rates included a 2.25 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period is not to exceed thirty years.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**F. CONSTRUCTION AND OTHER COMMITMENTS**

**ENCUMBRANCES**

As discussed in Note 1.D.2, Budgetary Information, Budgetary Basis of Accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$646,339 and \$44,308 recorded in the General and Capital Projects Funds, respectively.

**G. SHORT-TERM DEBT**

The purpose of all of the short-time borrowings was to provide resources for bus purchases and various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued are accounted for in the capital projects fund.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2016:

	<u>Balance</u> <u>7/1/15</u>		<u>Issues</u>		<u>Redeemed</u>	<u>Balance</u> <u>6/30/16</u>
BAN maturing 2/17/16 at 0.38%	\$3,152,706	\$	-	\$	127,787	\$3,025,419

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**H. LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding at June 30, 2016 are as follows:

The following is a summary of maturities of indebtedness:

<u>Governmental Activities</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/16</u>
Technology Project and improvements	12/29/2010	\$ 3,685,000	06/15/2025	Various	\$ 2,415,000
Partial Reconstruction and improvements	11/01/2007	12,449,045	06/15/2022	Various	5,680,000
2012 Refunding Serial Bonds	08/14/2012	13,995,000	03/15/2019	Various	<u>5,775,000</u>
					<u>\$ 13,870,000</u>

**OTHER LONG-TERM LIABILITIES**

In addition to the above long-term debt, the District had a non-current liability for compensated absences. The District also had a non-current liability for other post employment benefits. (See Note 2.F.)

**CHANGES IN LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2016 are as follows:

	<u>Balance 7/1/15</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
Government activities:					
Bonds payable:					
General obligation debt:					
Serial bonds	\$ 17,025,000	\$ -	\$ 3,155,000	\$ 13,870,000	\$ 3,245,000
Unamortized premium	<u>526,710</u>	-	<u>142,034</u>	<u>384,676</u>	<u>142,034</u>
Total bonds payable	\$ 17,551,710	\$ -	\$ 3,297,034	\$ 14,254,676	\$ 3,387,034
Other liabilities:					
Compensated absences	10,129,189	1,929,461	1,862,964	10,195,686	509,784
Other post employment	-	593,099	574,680	18,419	-
Retirement incentive	<u>472,083</u>	<u>280,800</u>	<u>245,267</u>	<u>515,416</u>	<u>193,517*</u>
Total governmental long-term liabilities	<u>\$ 28,152,982</u>	<u>\$ 2,803,360</u>	<u>\$ 5,979,945</u>	<u>\$ 24,984,197</u>	<u>\$ 4,090,335</u>

\*The current amount is included in accrued liabilities.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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>
2017	\$ 3,245,000	\$ 547,588
2018	3,355,000	418,938
2019	2,595,000	285,938
2020	1,230,000	182,763
2021	1,280,000	134,200
2022-2025	<u>2,165,000</u>	<u>151,913</u>
Total	<u>\$ 13,870,000</u>	<u>\$ 1,721,340</u>

**I. INTERFUND ACTIVITY**

Interfund activity at June 30, 2016 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,121,950	\$ 446,228	\$ -	\$ 1,090,217
Special Aid Fund	-	1,117,388	29,711	-
School Lunch Fund	11,833	-	-	-
Debt Service Fund	370,000	-	396,136	-
Trust & Agency Fund	-	4,562	-	-
Capital Fund	<u>64,395</u>	<u>-</u>	<u>690,506</u>	<u>26,136</u>
Total	<u>\$ 1,568,178</u>	<u>\$ 1,568,178</u>	<u>\$ 1,116,353</u>	<u>\$ 1,116,353</u>

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

Interfund receivables and payables were incurred primarily due to salaries paid by General Fund on behalf of the Special Aid Fund, amounts owed by General Fund to the Debt Service Fund for interfund transfers not transferred before the end of the year, and to close the General Fund Capital Reserve to cover project expenses.

Interfund revenues and expenditures were incurred primarily due to the General Fund transferring funds to the Debt Service Fund for required debt service payments and to transfer the General Fund Capital Reserve to the Capital Fund to cover project expenses.



**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**J. FUND BALANCE**

**DETAIL OF FUND BALANCES**

As of June 30, 2016, fund balances were classified as follows:

	<u>General</u>	<u>Capital</u>	<u>Special Aid</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Nonspendable</u>					
Prepays	\$ 96,800	\$ -	\$ -	\$ -	\$ 96,800
Inventory	-	-	-	20,259	20,259
<u>Restricted:</u>					
Unemployment	357,009	-	-	-	357,009
Repairs	721,766	-	-	-	721,766
Retirement	2,844,052	-	-	-	2,844,052
Capital	2,205,701	-	-	-	2,205,701
Employee benefits accrued liability	8,331,727	-	-	-	8,331,727
<u>Assigned:</u>					
Subsequent years' expenditures	500,000	-	-	-	500,000
Debt Service	-	-	-	1,446,342	1,446,342
School lunch	-	-	-	462,755	462,755
Encumbrances:					
General support	293,654	44,308	20,662	-	358,624
Instruction	341,842	-	-	-	341,842
Transportation	10,843	-	-	-	10,843
<u>Unassigned:</u>					
General fund	1,774,654	-	-	-	1,774,654
Special aid fund	-	-	(20,662)	-	(20,662)
Capital fund	-	(3,005,332)	-	-	(3,005,332)
<b>Total</b>	<b><u>\$17,478,048</u></b>	<b><u>\$(2,961,024)</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,929,356</u></b>	<b><u>\$16,446,380</u></b>

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.

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**DEFICIT FUND EQUITY**

At June 30, 2016, the capital projects fund, a major fund, has a deficit fund balance of \$2,961,024. The deficit is the result of the issuance of bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability. Accordingly, the BANS are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANS is spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANS.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4 - RISK MANAGEMENT**

A. **WORKERS' COMPENSATION PLAN**

**Genesee County 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.

The District is one of over 45 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 15<sup>th</sup>. 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 before July 15<sup>th</sup>. 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 upon 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, 2016 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. As of December 31, 2015, the Plan had an unfunded liability of \$1,329,715.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

A. **CONTINGENCIES**

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/15	\$ -	\$ 4,136,545	\$ 4,136,545	0.00%	\$21,084,032	19.62%

**Schedule of Employer Contributions**

June 30, 2016	\$ 574,680
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**BATAVIA CITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 18,501,372	\$ 18,501,372	\$ 18,453,822	\$ (47,550)
Real property tax items	561,111	561,111	631,356	70,245
Non-property tax items	750,000	750,000	695,374	(54,626)
Charges for services	171,000	171,000	204,070	33,070
Use of money and property	198,441	198,441	208,852	10,411
Sale of property and compensation for loss	8,250	8,250	10,703	2,453
Miscellaneous local sources	325,000	325,000	379,386	54,386
Interfund revenues	-	-	17,083	17,083
State sources:				
Basic formula, excess cost and lottery aid	16,597,433	16,597,433	18,246,322	1,648,889
BOCES	2,661,298	2,661,298	2,838,514	177,216
Other	1,170,796	1,170,796	327,978	(842,818)
Federal sources	78,000	78,000	61,355	(16,645)
<b>Total revenues</b>	<b>41,022,701</b>	<b>41,022,701</b>	<b>42,074,815</b>	<b>1,052,114</b>
Other sources:				
Appropriated fund balance	2,085,672	3,253,099	-	(3,253,099)
<b>Total revenues and other sources</b>	<b>\$ 43,108,373</b>	<b>\$ 44,275,800</b>	<b>\$ 42,074,815</b>	<b>\$ (2,200,985)</b>

**BATAVIA CITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(Continued)**

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 11,923	\$ 24,681	\$ 18,263	\$ 1,243	\$ 5,175
Central administration	270,988	337,804	326,090	810	10,904
Finance	714,771	629,244	582,189	32,124	14,931
Staff	235,903	344,127	279,904	64,223	-
Central services	3,210,599	3,268,833	2,832,295	195,254	241,284
Special items	856,490	837,206	830,258	-	6,948
Instruction:					
Instruction, administration and improvements	1,407,202	1,458,058	1,410,873	1,482	45,703
Teaching - regular school	13,385,871	13,246,903	12,943,286	74,482	229,135
Programs for children with handicaps	5,131,225	5,332,556	4,976,645	221,842	134,069
Occupational education	1,137,165	1,061,340	1,061,340	-	-
Instructional media	2,365,274	4,343,239	4,280,004	28,166	35,069
Pupil services	1,928,112	1,833,338	1,786,856	15,870	30,612
Transportation	1,787,057	1,877,717	1,620,714	118	256,885
Employee benefits	10,260,793	9,275,754	9,168,987	10,725	96,042
Total expenditures	42,703,373	43,870,800	42,117,704	646,339	1,106,757
Other uses:					
Transfer from capital reserve	-	-	690,506	-	(690,506)
Interfund transfers out	405,000	405,000	399,711	-	5,289
Total expenditures and other uses	\$ 43,108,373	\$ 44,275,800	\$ 43,207,921	\$ 646,339	\$ 421,540
Net change in fund balance			\$ (1,133,106)		

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) -**  
**EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS**  
**JUNE 30, 2016**

	<u>ERS</u>	<u>TRS</u>
District's proportion of the net pension asset (liability)	0.018027%	0.104113%
District's proportionate share of the net pension asset (liability)	\$ (2,893,420)	\$ 10,813,982
District's covered-employee payroll	4,727,444	15,796,209
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-61%	68%
Plan fiduciary net position as a percentage of the total pension asset (liability)	90.7%	110.5%

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS - EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS**  
**LAST 10 FISCAL YEARS**  
**JUNE 30.**

EMPLOYEES' RETIREMENT SYSTEM										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 491,590	\$ 492,956	\$ 423,484	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 879,677	\$ 820,675
Contributions in relation to the contractually required contribution	\$ 491,590	\$ 492,956	\$ 423,484	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 879,677	\$ 820,675
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	4,828,212	4,569,384	4,979,704	5,156,950	4,871,569	4,790,982	4,981,584	4,471,525	4,554,634	4,727,444
Contributions as a percentage of covered-employee payroll	10%	11%	9%	7%	11%	18%	18%	19%	19%	17%

TEACHERS' RETIREMENT SYSTEM										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 1,419,540	\$ 1,365,407	\$ 1,216,810	\$ 1,010,874	\$ 1,481,972	\$ 1,693,204	\$ 1,770,476	\$ 2,496,415	\$ 2,741,719	\$ 2,844,815
Contributions in relation to the contractually required contribution	\$ 1,419,540	\$ 1,365,407	\$ 1,216,810	\$ 1,010,874	\$ 1,481,972	\$ 1,693,204	\$ 1,770,476	\$ 2,496,415	\$ 2,741,719	\$ 2,844,815
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	16,411,313	15,954,875	16,004,221	16,198,734	16,042,834	15,455,312	15,177,045	15,590,337	15,883,150	15,796,209
Contributions as a percentage of covered-employee payroll	9%	9%	8%	6%	9%	11%	12%	16%	17%	18%

**SECTION B**  
**SUPPLEMENTAL SCHEDULES**



**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	School Lunch	Debt Service	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 434,584	\$ 1,076,342	\$ 1,510,926
State and federal aid receivable	46,779	-	46,779
Accounts receivable	2,540	-	2,540
Due from other funds	11,833	370,000	381,833
Inventory	20,259	-	20,259
	<hr/>	<hr/>	<hr/>
Total assets	\$ 515,995	\$ 1,446,342	\$ 1,962,337
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accrued liabilities	11,051	-	11,051
Due to other governments	886	-	886
Unearned revenue	5,332	-	5,332
Due to retirement systems	15,712	-	15,712
	<hr/>	<hr/>	<hr/>
Total liabilities	32,981	-	32,981
	<hr/>	<hr/>	<hr/>
<b>Fund balances:</b>			
Nonspendable	20,259	-	20,259
Assigned	462,755	1,446,342	1,909,097
Total fund balances	483,014	1,446,342	1,929,356
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 515,995	\$ 1,446,342	\$ 1,962,337
	<hr/>	<hr/>	<hr/>

**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	School Lunch	Debt Service	Total
<b>REVENUES</b>			
Use of money and property	\$ 138	\$ 559	\$ 697
Miscellaneous local sources	59,923	-	59,923
Premium on obligations	-	20,331	20,331
State sources	25,957	3,434,967	3,460,924
Federal sources	803,071	-	803,071
School lunch	343,293	-	343,293
Total revenues	1,232,382	3,455,857	4,688,239
<b>EXPENDITURES</b>			
Current:			
School lunch	1,211,513	-	1,211,513
Debt service:			
Principal	-	3,155,000	3,155,000
Interest	-	691,062	691,062
Total expenditures	1,211,513	3,846,062	5,057,575
Excess (deficit) of revenues over expenditures	20,869	(390,205)	(369,336)
<b>OTHER FINANCING SOURCES</b>			
Interfund transfers in	-	396,136	396,136
Total other financing sources	-	396,136	396,136
Net change in fund balances	20,869	5,931	26,800
Net position - beginning of year	462,145	1,440,411	1,902,556
Net position - end of year	\$ 483,014	\$ 1,446,342	\$ 1,929,356

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED**  
**BUDGET TO FINAL BUDGET -**  
**GENERAL FUND AND REAL PROPERTY TAX LIMIT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Adopted Budget	\$ 43,108,373
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Additions:	
Encumbrances from prior year	<u>1,167,427</u>

Final budget	<u>\$ 44,275,800</u>
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SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 expenditure budget	\$ 44,366,439
Maximum allowed	1,774,658

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:	
Assigned fund balance	1,146,339
Unassigned fund balance	<u>1,774,654</u>
Total unrestricted fund balance	<u>2,920,993</u>

Less:	
Appropriated fund balance	500,000
Encumbrances included in committed and assigned fund balance	<u>646,339</u>
Total adjustments	<u>1,146,339</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,774,654</u>
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Actual percentage	4.0%
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**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES-**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures		Unexpended Balance	Methods of Financing			Fund Balance 06/30/16
			Prior Years	Current Year		State Aid	Local Sources	Total	
District Wide/Architect	\$ 798,154	\$ 403,307	\$ 406,584	\$ (27,989)	\$ 24,712	\$ 3,000	\$ -	\$ 29,643	\$ (378,595)
Jackson	583,184	633,654	28,186	585,872	19,596	-	-	-	(614,058)
John Kennedy	164,425	162,510	16,554	145,956	-	-	-	-	(162,510)
Middle School	17,525	17,525	16,649	876	-	-	-	-	(17,525)
High School	679,470	754,408	447,764	306,645	-	-	-	-	(754,408)
Richmond Memorial Library	957,619	1,059,378	560,730	498,648	-	-	806,025	806,025	(1,059,378)
VanDelta Stadium	159,830	159,830	34,675	125,155	-	-	-	-	(159,830)
Concession Stand	615,318	650,387	255,289	395,098	-	-	-	-	(650,387)
<b>Total</b>	<b>\$ 3,975,525</b>	<b>\$ 3,840,999</b>	<b>\$ 1,766,431</b>	<b>\$ 2,030,261</b>	<b>\$ 44,308</b>	<b>\$ 3,000</b>	<b>\$ 806,025</b>	<b>\$ 835,668</b>	<b>\$ (2,961,024)</b>

BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

Capital assets, net	\$ 45,747,539
Deduct:	
Unamortized premium	384,676
Bonds payable	13,870,000
BANS payable	<u>3,025,419</u>
Net investment in capital assets	\$ <u>28,467,444</u>

**SECTION C**  
**SUPPLEMENTARY INFORMATION -**  
**FEDERAL FINANCIAL ASSISTANCE**

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs:</i>			
None			
<i>Passed through New York State Bureau of School Food Management:</i>			
<u>Child Nutrition Cluster</u>			
Food Distribution	10.555	---	\$ 72,926
National School Lunch Program	10.555	---	566,224
National School Breakfast Program	10.553	---	163,921
Total Child Nutrition Cluster and U.S. Department of Agriculture			<u>803,071</u>
<u>U.S. Department of Education</u>			
<i>Direct Programs:</i>			
None			
<i>Passed through the State Education Department of the State of New York:</i>			
Educationally Deprived Children -			
Local Education Agencies Act			
Title I - 2015-2016	84.010	0021-16-1000	491,669
Title I - 2014-2015	84.010	0021-15-1000	162,328
Title I School Improvement A Basic 2015-2016	84.010	0011-16-2020	48,857
Title I School Improvement A Basic 2014-2015	84.010	0011-15-2020	89,352
<u>Special Education Cluster</u>			
Handicapped - State Grants - Part B,			
<i>Education of the Handicapped</i>			
IDEA Section 611 - 2015-2016	84.027	0032-16-0276	801,609
IDEA Section 611 - 2014-2015	84.027	0032-15-0276	9,824
IDEA Section 619 - 2015-2016	84.173	0033-16-0276	59,591
Total Special Education Cluster			<u>871,024</u>
Federal, State, and Local			
Partnership for Educational			
Improvement - Chapter 2 of ESEA			
Title IIA - 2015-2016	84.367	0147-16-1000	51,362
Title IIA - 2014-2015	84.367	0147-15-1000	31,025
Title VI - 2015-2016	84.358B	0006-16-1000	25,750
ARRA - Race to the Top - 2014-2015	84.395A	5500-15-1000	<u>1,223</u>
Total U.S. Department of Education			<u>1,772,590</u>
Total Expenditures of Federal Awards			<u>\$ 2,575,661</u>

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, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs administered by the District, an entity as defined in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position, or cash flows of the District.

**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 of the 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 \$750,000 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 25% of the Type A threshold or \$187,500 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected in accordance with the Uniform Guidance.

**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, 2016, the District received \$72,926 of commodities under the Surplus Food Distribution Program (CFDA 10.555).

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



## **SECTION D**

### **INTERNAL CONTROL AND COMPLIANCE**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS  
INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Batavia City School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 2, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 2, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited Batavia City School District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 2, 2016

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

Internal control over financial reporting:

Material weakness(es) identified?     yes     Xno

Significant deficiency(ies) identified?     yes     Xnone reported

Noncompliance material to financial statements noted?     yes     Xno

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?     yes     Xno

Significant deficiency(ies) identified?     yes     Xnone reported

Type of auditor's report(s) issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     yes     Xno

Identification of major programs: CFDA#

Child Nutrition Cluster 10.553/10.555

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low risk auditee?     Xyes     no

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(Continued)**

**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

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

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs related to federal awards noted in the current fiscal year.

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**I. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2015.

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2015.



**SECTION E**  
**EXTRACLASSROOM ACTIVITY**



**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE  
EXTRACLASSROOM ACTIVITY FUNDS**

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

**Report on the Financial Statements**

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2016 and the related note to the financial statement.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts, disbursements and changes in cash basis net position of the Extraclassroom Activity Funds of the District for the year ended June 30, 2016, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 2, 2016

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS**  
**NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Balance <u>June 30, 2015</u>		Cash <u>Receipts</u>		Cash <u>Disbursements</u>		Balance <u>June 30, 2016</u>
Petty Cash	\$ 1,975	\$	364	\$	180	\$	2,159
JK Student Council	3,228		500		500		3,228
JK Media	2,590		4,341		4,677		2,254
BMS Student Council	2,579		350		490		2,439
BMS Jr National Honor Society	399		689		472		616
BMS Yearbook	14,999		4,935		4,311		15,623
BMS A.H.E.A.D.	199		665		685		179
Outdoor Club	1,075		1,143		1,219		999
BMS Drama	664		1,282		1,150		796
Page Turners	246		171		89		328
BMS 5th Grade	2,521		2,453		3,965		1,009
BMS Entrepreneurship	53		-		-		53
BMS 6th Grade	7,602		22,589		25,174		5,017
7th Grade-Blue-Team 2	5,674		15,523		12,181		9,016
BMS 8th Grade	1,172		8,313		7,908		1,577
BMS Band	1,039		-		-		1,039
BMS/BHS Orchestra	1,149		2,929		3,162		916
BMS Ski Club	1,982		9,437		9,873		1,546
Batavian	7,135		14,348		13,555		7,928
BHS Student Government	5,545		10,956		11,713		4,788
BHS Literary	121		144		215		50
HS National Honor Society	341		2,640		2,648		333
S.A.D.D./A.T.O.P.	112		1,773		1,850		35
Art Club	319		379		471		227
BHS Drama	4,168		1,568		2,131		3,605
BHS Production	14,460		8,885		6,916		16,429
Character Education	7		-		-		7
Zonta Club	3,460		4,977		8,206		231
BHS Band	144		225		-		369
BHS Chorus	5,794		-		886		4,908
TRI-M	1,580		1,027		516		2,091
Barber Shop / Sweet Adeline	501		-		-		501
BHS Ski Club	2		3,933		3,930		5
Class of 2015	3,936		-		3,936		-
Class of 2016	6,213		27,085		33,298		-
Class of 2017	7,821		15,951		10,781		12,991
Class of 2018	1,667		7,784		4,590		4,861
Class of 2019	-		1,014		999		15
NYS Sales Tax	272		2,969		2,950		291
	\$ 112,743	\$	181,342	\$	185,627	\$	108,459

**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 Position-Fiduciary Funds at June 30, 2016.

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 expenses are recognized when cash is disbursed.