

**AUDITED
BASIC FINANCIAL STATEMENTS**

BATAVIA CITY SCHOOL DISTRICT
BATAVIA, NEW YORK

JUNE 30, 2018

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FINANCIAL SECTION

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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, 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, 2018 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 District'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 District'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, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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, is 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 October 2, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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
October 2, 2018

Management's Discussion and Analysis
Batavia City School District
Fiscal Year ended June 30, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for fiscal year 2018 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 levy (0.71%) over the last ten fiscal years (average decrease of 0.96% in the tax rate), 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 \$434,835; 2017 Capital Reserve has a total restricted balance of \$1,503,396; Employee Benefit Liability Reserve has a total restricted balance of \$4,145,229; NYS Employees Retirement Reserve has a total restricted balance of \$2,985,192 and Repair Reserve has a total restricted balance of \$172,265. Total restricted reserves as of June 30, 2018 are \$9,240,917
- The District continued to fund the 2017 Capital Reserve with transfer totaling \$852,820. The total year end balance of this reserve is reflected above. The District continued to fund the Unemployment Insurance Reserve with transfer totaling \$100,000. The total year end balance of this reserve is reflected above. The District continued to fund the Repair Reserve with transfer totaling \$100,000. The total year end balance of this reserve is reflected above. The District continued to fund the NYS Employees Retirement Reserve with transfer totaling \$800,000. The total year end balance of this reserve is reflected above.
- 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 \$2,087,566 and this amount was within the statutory limit.
- The District has continued to offer retirement incentives and fully funded the 2018-19 payment as an accrued liability as of June 30, 2018. The remaining balance of \$373,433 is recorded as other long term debt.
- General fund revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$47,970,103 or 93.07% of all revenues.
- The District tax levy in the last ten (10) completed fiscal years from 2008-09 through 2017-18, has increased a total of only \$1,228,545 or 7.11% or an average yearly increase of \$122,855 which represents a minimal average annual increase of only 0.71% 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 was eliminated.
- The NYS Tax Cap was implemented in the 2012-13 fiscal year. The District's six (6) year calculated average annual increased allowed by the NYS Tax Cap formula was 3.29%. The District's actual tax levy average increase for these six (6) 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

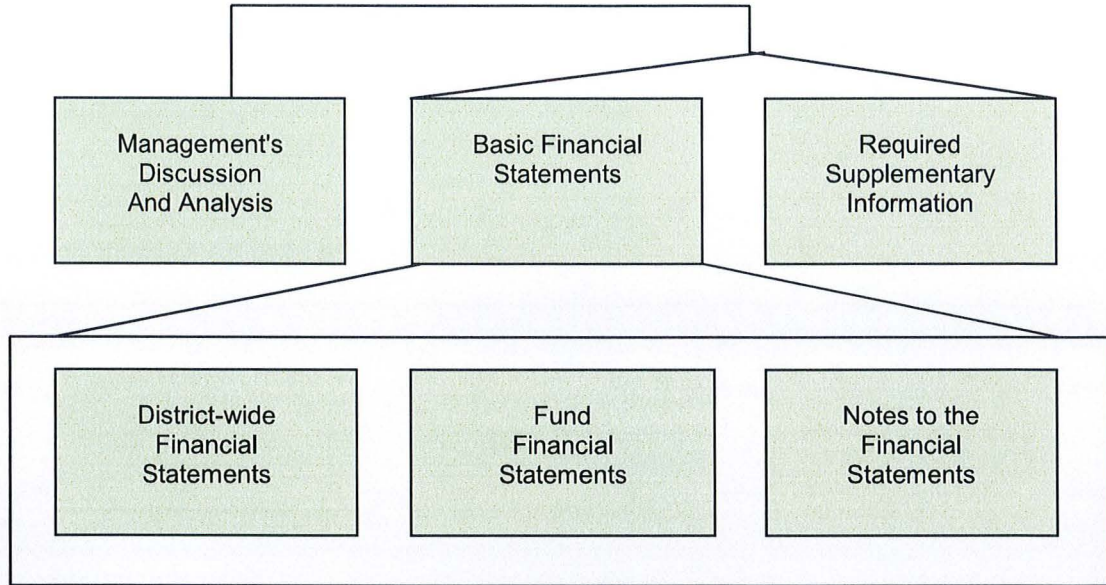


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-wide and Fund Financial Statements			
		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building	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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position - Fiduciary Funds • Statement Changes in Net Position - Fiduciary Fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, 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 \$31,980,393 and constitute 66.21% 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
	2018	2017	2017-2018
Current and other assets	\$ 25,994	\$ 26,228	-0.89%
Capital assets not being depreciated	3,669	2,659	37.98%
Capital assets, net of accumulated depreciation	39,862	41,675	-4.35%
TRS pension assets	796	-	100.00%
Total assets	<u>70,321</u>	<u>70,562</u>	<u>-0.34%</u>
Deferred outflow of resources	13,073	11,959	
Current liabilities	3,360	3,393	-0.97%
Long-term liabilities	<u>27,350</u>	<u>29,574</u>	<u>-7.52%</u>
Total liabilities	30,710	32,967	-6.85%
Deferred inflow of resources	4,382	622	
Investment in capital assets, net of related debt	31,981	29,984	6.66%
Restricted for:			
Unemployment insurance	435	345	26.09%
Employee benefit accrued liability	4,145	4,141	0.10%
Repairs	172	72	138.89%
Capital projects	1,503	650	131.23%
Retirement contribution	2,985	2,846	4.88%
Undesignated (deficit)	<u>7,081</u>	<u>10,894</u>	<u>-35.00%</u>
Total net position	<u>\$ 48,302</u>	<u>\$ 48,932</u>	<u>-1.29%</u>

Figure A-4

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

	Governmental Activities and Total District		Total Percentage Change
	2018	2017	2017-2018
Revenues:			
Real property taxes	\$ 18,501	\$ 18,501	0.00%
Real property tax items	734	917	-19.96%
Non-property taxes	679	698	
Charges for services	389	271	43.54%
Use of money and property	220	198	11.11%
Miscellaneous local sources	552	646	-14.55%
Sale of property and compensation for loss	58	8	625.00%
State and federal aid	30,163	30,283	-0.40%
School lunch	342	342	0.00%
Total revenues	<u>51,638</u>	<u>51,864</u>	<u>-0.44%</u>
Expenses:			
General support	5,987	6,164	-2.87%
Instruction	36,784	37,738	-2.53%
Pupil transportation	1,662	1,683	-1.25%
Interest	270	560	-51.79%
School lunch	1,304	1,229	6.10%
Depreciation	2,131	2,045	4.21%
Total expenses	<u>48,138</u>	<u>49,419</u>	<u>-2.59%</u>
Changes in net position	<u>\$ 3,500</u>	<u>\$ 2,445</u>	<u>43.15%</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

<i>Net Cost of Governmental Activities (in thousands of dollars)</i>						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2017	2017-2018	2018	2017	2017-2018
General support	\$ 5,987	\$ 6,164	-2.87%	\$ 5,597	\$ 6,047	-7.44%
Instruction	36,784	37,738	-2.53%	22,485	27,449	-18.08%
Pupil transportation	1,662	1,683	-1.25%	540	687	-21.40%
Interest	270	560	-51.79%	270	560	-51.79%
School lunch	1,304	1,229	6.10%	117	92	27.17%
Depreciation	2,131	2,045	4.21%	2,131	3,045	-30.02%
Total	<u>\$ 48,138</u>	<u>\$ 49,419</u>	<u>-2.59%</u>	<u>\$ 31,140</u>	<u>\$ 37,880</u>	<u>-17.79%</u>

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 \$22,202,289. \$12,847,461 constitutes unreserved (assigned and unassigned) fund balance, of which \$2,000,000 has been designated for subsequent years' expenditures (as appropriated fund balance) and represents the amount estimated for use in the 2018-2019 budget. The remainder of the fund balance, \$9,354,828 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 \$434,835; a reserve for employee benefit accrued liability of \$4,145,229; a reserve for repairs of \$172,265; a capital projects reserve of \$1,503,396; and a reserve for retirement contribution of \$2,985,192.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$14,132,453, of which \$2,087,566 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 increased by \$1,396,401 in the 2017-18 fiscal year.

Figure A-6

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

	2018		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 48,504	\$ 47,108	\$ 14,132
Special Aid	2,489	2,489	-
Capital Projects	106	1,116	6,934
	2017		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 46,099	\$ 50,841	\$ 12,736 +
Special Aid	2,630	2,630	-
Capital Projects	11,355	450	7,944

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 2017 capital reserve. Funding of reserves are planned in anticipation for the continued uncertainty in State Aid as evidenced by the GAP Elimination Adjustment in prior years; fluctuating required employer contribution costs (employer contribution rate) associated with both the Employees Retirement System and also with Teacher's Retirement System, costs for repairs of capital improvements and equipment. The reserve for the employee benefit accrued liability at June 30, 2018 was \$4,145,229. This represents approximately 100.00% of the District's GASB 75 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, 2018 the District had capital assets of \$79,489,634 (\$43,531,460, 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

Capital Assets Net of Depreciation (in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2018	2017	2017-2018
Land	\$ 2,347	\$ 2,252	4.22%
Construction in process	1,322	406	
Buildings and improvements	37,363	38,729	-3.53%
Furniture and Equipment	2,499	2,947	-15.20%
Total	<u>\$ 43,531</u>	<u>\$ 44,334</u>	<u>-1.81%</u>

Long-Term Obligations

At June 30, 2018, the District had in general obligations and other long-term debt outstanding, as follows:

Figure A-8

Outstanding Long-Term Debt (in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2018	2017	2017-2018
General obligation bonds and notes (financed with property taxes)	\$ 11,105	\$ 14,677	-24.34%
Unamortized bond premium	446	673	-33.73%
Retirement incentives	373	456	-18.20%
Compensated absences	10,516	10,939	-3.87%
Postemployment benefits	4,291	59	7172.88%
Pensions (ERS only - 2018)	619	2,770	-77.65%
Total	<u>\$ 27,350</u>	<u>\$ 29,574</u>	<u>7015.09%</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 2019 bill (billing period April 2017 through March 2018) will be approximately; 15.9% for Tier 3 and Tier 4 employees (no change); 13.0% for Tier 5 (new tier as of January 1, 2010, no change) and 9.3% for Tier 6 (new tier as of April 1, 2012, no change). 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. 15.8% for both Tiers 3 & 4 (a decrease of 0.63%); 13.0% for Tier 5 (a decrease of 0.76%) and 9.30% for Tier 6 (no change). Estimated 2019 rates are tentatively the same as 2018. These rates will be finalized in August 2019.

The New York State Teachers' Retirement System has also indicated the employer contribution rate to be used to calculate the TRS expenditures for 2018-19 fiscal year will be 10.62% of eligible salaries. This is an increase of 8.37% compared to 2017-18. Below is a chart of the District employer contribution rates since 2010-11 fiscal year and the annual percentage change in contribution rate:

	Employer Contribution Rate	Annual % Change
2017-18	9.80%	(16.38%)
2016-17	11.72%	(11.61%)
2015-16	13.26%	(24.36%)
2014-15	17.53%	7.88%
2013-14	16.25%	37.25%
2012-13	11.84%	6.57%
2011-12	11.11%	28.89%
2010-11	8.62%	39.26%

The employer contribution rate varies and annual changes can be quite unpredictable but the historical average rate over 41 years is 10.95% (from 1978-79 – 2018-19). The five year average employer contribution rate is 12.59% and the ten year average contribution rate is 11.69%.

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.

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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
ENDED JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 22,261,115
State and federal aid receivable	1,451,247
Taxes receivable	450,633
Accounts receivable	203,192
Due from other governments	1,513,640
Prepays	97,150
Inventory	16,761
Capital assets not being depreciated	3,669,440
Capital assets, net of accumulated depreciation	39,862,020
Net pension asset	<u>795,554</u>
Total assets	<u>70,320,752</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	12,453,746
Deferred postemployment outflows	<u>619,213</u>
Total deferred outflows of resources	<u>13,072,959</u>

LIABILITIES

Accounts payable	521,064
Accrued liabilities	780,677
Due to other governments	16,897
Unearned revenue	3,864
Due to retirement systems	2,037,516
Long-term liabilities:	
Due and payable within one year	3,530,927
Due and payable after one year	<u>23,819,212</u>
Total liabilities	<u>30,710,157</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	4,372,783
Deferred postemployment outflows	<u>8,765</u>
Total deferred inflows of resources	<u>4,381,548</u>

NET POSITION

Net investment in capital assets	31,980,393
Restricted for:	
Unemployment insurance	434,835
Employee benefit accrued liability	4,145,229
Repairs	172,265
Capital reserve	1,503,396
Retirement contribution	2,985,192
Unrestricted	<u>7,080,696</u>
Total net position	<u>\$ 48,302,006</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 4,966,888	\$ 1,019,634	\$ 389,642	\$ -	(5,596,880)
Instruction	28,474,078	8,310,208	-	14,298,982	(22,485,304)
Pupil transportation	1,651,908	10,304	-	1,121,939	(540,273)
Interest	269,807	-	-	-	(269,807)
School lunch	1,304,052	-	342,478	844,624	(116,950)
Unallocated employee benefits	9,340,146	(9,340,146)	-	-	-
Unallocated depreciation	2,131,288	-	-	-	(2,131,288)
Total governmental activities	\$ <u>48,138,167</u>	\$ <u>-</u>	\$ <u>732,120</u>	\$ <u>16,265,545</u>	(31,140,502)
General revenues:					
Real property taxes					18,501,372
Real property tax items					733,612
Non-property taxes					678,891
Use of money and property					219,955
Sale of property and compensation for loss					57,998
State and federal aid not restricted for a specific purpose					13,897,113
Other miscellaneous revenues					551,786
Total general revenues					<u>34,640,727</u>
Change in net position					3,500,225
Net position - beginning of year, as previously stated					48,932,015
Restatement of net position, see note 7					(4,130,234)
Net position - beginning of year, as restated					<u>44,801,781</u>
Net position - end of year					\$ <u><u>48,302,006</u></u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,965,600	\$ 225,757	\$ 6,960,792	\$ 1,108,966	\$ 22,261,115
State and federal aid receivable	633,404	775,821	-	42,022	1,451,247
Taxes receivable	450,633	-	-	-	450,633
Receivables	197,996	1,236	-	3,960	203,192
Due from other governments	1,513,640	-	-	-	1,513,640
Due from other funds	923,830	150,557	-	-	1,074,387
Prepaid items	97,150	-	-	-	97,150
Inventory	-	-	-	16,761	16,761
Total assets	<u>\$ 17,782,253</u>	<u>\$ 1,153,371</u>	<u>\$ 6,960,792</u>	<u>\$ 1,171,709</u>	<u>\$ 27,068,125</u>
LIABILITIES					
Accounts payable	\$ 472,795	\$ 21,481	\$ 26,762	\$ 26	\$ 521,064
Accrued liabilities	707,283	57,313	-	16,081	780,677
Due to other governments	15,705	190	-	1,002	16,897
Due to other funds	-	1,074,387	-	-	1,074,387
Unearned revenue	-	-	-	3,864	3,864
Due to retirement systems	2,022,586	-	-	14,930	2,037,516
Total liabilities	<u>3,218,369</u>	<u>1,153,371</u>	<u>26,762</u>	<u>35,903</u>	<u>4,434,405</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>431,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,431</u>
Total deferred inflows of resources	<u>431,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,431</u>
FUND BALANCES					
Nonspendable	97,150	-	-	16,761	113,911
Restricted	9,240,917	-	-	-	9,240,917
Assigned	2,706,820	-	6,934,030	1,119,045	10,759,895
Unassigned	2,087,566	-	-	-	2,087,566
Total fund balances (deficit)	<u>14,132,453</u>	<u>-</u>	<u>6,934,030</u>	<u>1,135,806</u>	<u>22,202,289</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,782,253</u>	<u>\$ 1,153,371</u>	<u>\$ 6,960,792</u>	<u>\$ 1,171,709</u>	<u>\$ 27,068,125</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018 (Continued)

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances - governmental funds (page 16)	22,202,289
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	43,531,460
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(11,105,000)
Premium on bonds payable	(446,067)
Compensated absences	(10,515,852)
Net postemployment liabilities	(4,290,661)
Net pension liabilities	176,428
Retirement incentive	(373,433)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Net pension deferred outflows and inflows of resources	8,080,963
Net postemployment deferred outflows and inflows of resources	610,448
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenue in the statement of activities.	<u>431,431</u>
Net position of governmental activities	\$ <u><u>48,302,006</u></u>

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, 2018

	<u>General</u>	<u>Special Aid</u>	<u>Capital</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 18,493,392	\$ -	\$ -	\$ -	\$ 18,493,392
Real property tax items	733,612	-	-	-	733,612
Non-property taxes	678,891	-	-	-	678,891
Charges for services	389,642	-	-	-	389,642
Use of money and property	214,278	-	5,543	134	219,955
Sale of property and compensation for loss	66,627	-	-	-	66,627
Miscellaneous local sources	374,749	-	-	59,512	434,261
Interfund revenues	22,525	-	-	-	22,525
State sources	26,898,314	585,185	-	25,453	27,508,952
Federal sources	98,073	1,736,462	-	819,171	2,653,706
School lunch	-	-	-	342,478	342,478
Total revenues	<u>47,970,103</u>	<u>2,321,647</u>	<u>5,543</u>	<u>1,246,748</u>	<u>51,544,041</u>
EXPENDITURES					
Current:					
General government	5,013,789	-	-	-	5,013,789
Instruction	26,307,868	2,241,592	-	-	28,549,460
Pupil transportation	1,625,744	26,164	-	-	1,651,908
School lunch	-	-	-	1,308,542	1,308,542
Employee benefits	9,824,948	220,858	-	-	10,045,806
Debt service:					
Principal	3,572,321	-	-	-	3,572,321
Interest	496,368	-	-	-	496,368
Capital outlay:					
General government	-	-	1,115,719	-	1,115,719
Total expenditures	<u>46,841,038</u>	<u>2,488,614</u>	<u>1,115,719</u>	<u>1,308,542</u>	<u>51,753,913</u>

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, 2018
(Continued)

	<u>General</u>	<u>Special Aid</u>	<u>Capital</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	1,129,065	(166,967)	(1,110,176)	(61,794)	(209,872)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	534,303	166,967	100,000	-	801,270
Interfund transfers out	<u>(266,967)</u>	<u>-</u>	<u>-</u>	<u>(534,303)</u>	<u>(801,270)</u>
Total other financing sources (uses)	<u>267,336</u>	<u>166,967</u>	<u>100,000</u>	<u>(534,303)</u>	<u>-</u>
Net change in fund balances	1,396,401	-	(1,010,176)	(596,097)	(209,872)
Fund balances - beginning	<u>12,736,052</u>	<u>-</u>	<u>7,944,206</u>	<u>1,731,903</u>	<u>22,412,161</u>
Fund balances - ending	<u>\$ 14,132,453</u>	<u>\$ -</u>	<u>\$ 6,934,030</u>	<u>\$ 1,135,806</u>	<u>\$ 22,202,289</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 19)	\$ (209,872)
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,131,288) exceeded capital outlays (\$1,242,492) in the current period.	(888,796)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position.	86,371
The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of these differences is as follows:	
Repayment of serial bonds	3,572,321
Change in retirement incentive	82,484
Amortization of premium	226,561
In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net effect of these differences are:	
Compensated absences	423,117
Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.	
Net pension - proportionate share -TRS	1,877,957
Net pension - proportionate share -ERS	1,068,697
Other postemployment benefits	(101,168)
Change in proportionate share of net pension and OPEB 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 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 expenditures in the governmental funds.	
Net pension - proportionate share -TRS	(2,195,634)
Net pension - proportionate share -ERS	(1,060,241)
Other postemployment benefits	610,448
Revenues that are deferred are accrued and reported in the statement of activities whereas on the government funds only revenues that are available to pay current obligations are reported.	7,980
Change in net position of governmental activities	\$ <u><u>3,500,225</u></u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITON – FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	Agency
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ -	\$ 677,366
Cash and cash equivalents - restricted	231,997	117,548
Restricted investments	556,018	-
Receivables	<hr/> -	<hr/> 4,878
Total assets	<hr/> 788,015	<hr/> <hr/> 799,792
 LIABILITIES		
Accounts payable	4,500	-
Agency liabilities	-	682,244
Extraclassroom activity balances	<hr/> -	<hr/> 117,548
Total liabilities	<hr/> 4,500	\$ <hr/> <hr/> 799,792
 NET POSITION		
Restricted for scholarships	\$ <hr/> <hr/> 783,515	

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITON – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 16,855
Gifts and donations	2,932
Net increase in fair value of investments	<u>52,161</u>
Total additions	71,948
DEDUCTIONS	
Scholarships	<u>25,627</u>
Total deductions	<u>25,627</u>
Change in net position	46,321
Net position - beginning	<u>737,194</u>
Net position - ending	<u><u>\$ 783,515</u></u>

See notes to basic financial statements.

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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 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 GASB Statement No. 14, *The Financial Reporting Entity*; as amended by GASB Statement No. 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. 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 school district in the Genesee Valley Educational Partnership (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

BOCES is organized under Section 1950 of 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.

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

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). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2018, the District was billed \$5,381,639 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.

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate district-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.

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) 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.

Special Aid Fund: This fund is used to account for proceeds received from State and Federal grants that are restricted for specific educational programs.

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

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:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. 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 recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds 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

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

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. 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 the 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. RECEIVABLES

Receivables are carried at their net realizable value. Receivables 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 uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

5. INVENTORY AND PREPAIDS

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. INTERFUND TRANSACTIONS

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

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

Refer to Note 3.I for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

7. 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 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

8. 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.

9. 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. First is related to pensions reported in the district-wide Statement of Net Position. It represents the effect of the net change in the District's proportion of the collective net pension (asset)/liability, the 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 and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.E. The second item is related to other postemployment benefits (OPEB) reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.F.

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 three items that qualify for

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

reporting in this category. The 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 (asset)/liability 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 3.E. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 3.F.

10. 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.

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 fund 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.

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the district-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

12. VESTED EMPLOYEE BENEFITS

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.

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

13. POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides postemployment 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 3.F).

14. SHORT TERM DEBT

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the fund that will actually receive the proceeds from the issuance of the Bonds.

15. 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.

16. 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.

17. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

E. 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 1st. Uncollected real property taxes at June 30, 2018 are reported as taxes receivable and unearned tax revenue.

F. 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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 81, *Split-Interest Agreements*; Statement No. 85, *Omnibus-2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by governments, such as the District, for postemployment benefits. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 85 is to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB).

The primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

The District has evaluated Statements No. 81, 85, and 86 and have determined that they have no impact on the District's operations in the current year.

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

The GASB has issued the following new pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for the year ending June 30, 2019; and
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.

The District is currently reviewing these statements and plans on adoption, as required.

NOTE 2 –STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations 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.

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

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS

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, 2018.

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 includes \$117,548 within the Agency Fund restricted for extraclassroom activities, and \$231,997 in the Private Purpose Trust Fund restricted for scholarships.

BATAVIA CITY SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

Investment and Deposit Policy

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 105% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

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

B. 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.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District investments are valued based on Level 1 of the hierarchy.

The following is a description of the valuation methodologies used for investments measured at fair value:

Common Stocks: Valued at the net assets value (NAV) of shares held at year end. The NAV is the closing priced reported on the open market on which the securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Cost	Fair Value June 30, 2018
198 Shares Comcast Corporation	\$ -	\$ 6,459
34 Shares NCR Corporation	-	1,027
34 Shares Teradata Corporation	-	1,375
1323 Shares American Telephone and Telegraph, Inc	2,820	41,833
3527 Shares Putnam Investors Fund, Inc	27,852	102,680
68 Shares Alcatel_Lucent	1,141	-
3210 Shares Eastman Kodak	200,000	-
638 Shares Verizon	5,498	31,728
12 Shares Fair Point Communications	-	-
3579 Shares JP Morgan Chase	24,319	370,916
		<u>\$ 556,018</u>

For the year ended June 30, 2018, the District recognized a net increase in the fair value on investments of \$52,161.

B. RECEIVABLES

Significant revenues accrued by the District include the following:

Receivables consist of the following at June 30, 2018:

General Fund:	
Taxes receivable	\$ <u>450,633</u>
General Fund:	
Due from other governments:	
BOCES' aid	\$ <u>1,513,640</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

State and federal aid receivable, consist of the following at June 30, 2018:

General Fund		
State aid - general aid	\$	118,846
State aid - excess cost aid		514,558
	\$	<u>633,404</u>
Special Aid Fund		
State awards	\$	316,654
Federal awards		459,167
	\$	<u>775,821</u>

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,252,349	\$ 95,000	\$ -	\$ 2,347,349
Construction work in progress	406,372	1,115,719	200,000	1,322,091
Total capital assets not being depreciated	<u>2,658,721</u>	<u>1,210,719</u>	<u>200,000</u>	<u>3,669,440</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	62,761,388	200,000	5,122	62,956,266
Vehicles & equipment	<u>13,054,383</u>	<u>126,773</u>	<u>317,228</u>	<u>12,863,928</u>
Total capital assets, being depreciated	<u>75,815,771</u>	<u>326,773</u>	<u>322,350</u>	<u>75,820,194</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	24,033,687	1,564,242	5,122	25,592,807
Vehicles & equipment	<u>10,106,920</u>	<u>567,046</u>	<u>308,599</u>	<u>10,365,367</u>
Total accumulated depreciation	<u>34,140,607</u>	<u>2,131,288</u>	<u>313,721</u>	<u>35,958,174</u>
Total capital assets being depreciated, net	<u>41,675,164</u>	<u>(1,804,515)</u>	<u>8,629</u>	<u>39,862,020</u>
Governmental activities capital assets, net	\$ <u>44,333,885</u>	\$ <u>(593,796)</u>	\$ <u>208,629</u>	\$ <u>43,531,460</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

D. ACCRUED LIABILITIES

Accrued liabilities reported by the District at June 30, 2018, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund
Salary and employee benefits	\$ 472,680	\$ 57,313	\$ 6,108
Accrued vacation	234,603	-	9,973
Total accrued liabilities	\$ <u>707,283</u>	\$ <u>57,313</u>	\$ <u>16,081</u>

E. PENSION OBLIGATIONS

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Provisions and Administration

The TRS 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.

The ERS 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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies

The Systems are noncontributory except for employees who joined 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. 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 31st.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following 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 June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Net pension (asset)/liability	\$ (795,554)	\$ 619,126
Village's portion of the Plan's total net pension liability	0.104664%	0.019183%
Change in proportion since the prior measurement date	0.003603	0.001220

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018, the District's recognized pension expense of \$1,995,443 for TRS and \$791,046 for ERS, respectively. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 654,545	\$ 220,822	\$ 310,177	\$ 182,479
Change of assumptions	8,094,914	410,532	-	-
Net difference between projected and actual earnings on pension plan investments	-	899,231	1,873,759	1,774,992
Changes in proportion and differences between the District's contributions and proportionate share of contributions	150,223	124,218	229,802	1,574
District's contributions subsequent to the measurement date	<u>1,678,033</u>	<u>221,227</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,577,715</u>	<u>\$ 1,876,030</u>	<u>\$ 2,413,738</u>	<u>\$ 1,959,045</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, 2019. 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>TRS</u>	<u>ERS</u>
Year ended:		
2019	\$ 179,397	\$ 175,091
2020	2,136,963	134,731
2021	1,527,907	(426,342)
2022	375,767	(187,722)
2023	1,523,448	-
Thereafter	742,463	-

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	April 1, 2009 March 2014 System's Experience	April 1, 2010 March 2015 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2009 – March 31, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected 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 the target asset allocation percentage and by adding expected inflation.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2017	March 31, 2018
			TRS	ERS
<u>Asset Class:</u>				
Domestic equity	35.0 %	36.0 %	5.9 %	4.6 %
International equity	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies		2.0		3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.6	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-2.1 %	1.6	-
Global fixed income securities	2.0	-4.3	1.3	-
High yield income securities	1.0	-6.5	3.9	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. 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 (asset)/liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25% for TRS and 6.0% for ERS) or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 13,705,035	\$ (795,554)	\$ (12,939,077)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 4,684,473	\$ 619,126	\$ (2,819,995)

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Employer' total pension (asset)/ liability	\$ 114,708,261	\$ 183,400,590
Plan net position	115,468,360	180,173,145
Employers' net pension (asset)/liability	<u>\$ (760,099)</u>	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension (asset)/liability	100.7%	98.2%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$1,816,289.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$221,227.

F. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

Plan Description

The Batavia City School District administers the Batavia City School District Retiree Medical, Prescription Vision and Dental Plan (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.

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Active plan members	435
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plant members or beneficiaries currently receiving benefits	<u>84</u>
Total	<u>519</u>

The District's total OPEB liability of \$4,290,661 was measured as of July 1, 2017, and was determined by an actuarial valuation as of June 30, 2018.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary Increases	2.60%, average, including inflation
Discount Rate	3.00%
Healthcare Cost Trend Rates	7.5% in 2018, with an ultimate rate of 4.5% in 2023
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

The discount rate was based on the S & P Municipal Bond 20 year High Grade Rate Index as of July 1, 2018.

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

Changes in the Total OPEB Liability

Balance at July 1, 2017	\$	4,189,493
<u>Changes for the year:</u>		
Service cost		218,448
Interest		128,717
Changes of benefit terms		-
Differences between expected and actual experience		(9,527)
Changes in assumptions or other inputs		-
Benefit payments		(236,470)
Net changes		101,168
Balance at June 30, 2018	\$	<u>4,290,661</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.0 percent) or 1 percentage point higher (4.0 percent) than the current discount rate.

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB Liability	\$ <u>4,662,892</u>	\$ <u>4,290,661</u>	\$ <u>3,947,428</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current healthcare cost trend rate:

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB Liability	\$ 3,768,009	\$ 4,290,661	\$ 4,917,826

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$101,168. At June 30, 2018, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	8,765
Contributions subsequent to measurement date	619,213	-
Total	\$ 619,213	\$ 8,765

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2019	\$ (762)
2020	(762)
2021	(762)
2022	(762)
2023	(762)
Thereafter	(4,955)

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.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of maturities of indebtedness:

	Original Issue Date	Original Borrowing	Final Maturity	Interest Rates to Maturity	Outstanding Balance 6/30/2018
Governmental activities:					
2012 Refunding Serial Bonds	8/14/2012	13,995,000	3/15/2019	2.00-4.00%	1,410,000
2016 Refunding Serial Bonds	11/22/2016	6,570,000	6/15/2025	1.00-2.00%	5,685,000
Technology Project and capital project	1/26/2017	4,252,321	12/15/2030	2.00-3.00%	4,010,000
					<u>\$ 11,105,000</u>

OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions (See Note 2.E.) and other postemployment benefits (See Note 3.F.).

CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Government activities:					
Bonds Payable:					
Serial Bonds	\$ 14,677,321	\$ -	\$ 3,572,321	\$ 11,105,000	\$ 2,820,000
Unamortized premium	672,628	-	226,561	446,067	185,134
Total bonds payable	15,349,949	-	3,798,882	11,551,067	3,005,134
Other liabilities					
Compensated absences	10,938,969	2,316,002	2,739,119	10,515,852	525,793
Net pension liabilities (ERS)-Proportionate Share*	1,687,823	-	1,082,403	619,126	-
Post employment benefit obligations	4,189,493	337,638	236,470	4,290,661	-
Retirement incentive	737,400	221,400	295,734	663,066	289,633 **
Total long-term liabilities	<u>\$ 32,903,634</u>	<u>\$ 2,875,040</u>	<u>\$ 8,152,608</u>	<u>\$ 27,639,772</u>	<u>\$ 3,820,560</u>

*Additions/reductions to net pension liabilities are presented net.

**The current amount is included in accrued liabilities

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations. The following is a summary of maturing debt service requirements for the District's serial bonds:

Fiscal Year	Principal	Interest	Premium
2019	2,820,000	334,794	185,134
2020	1,465,000	227,194	84,527
2021	1,525,000	174,044	84,527
2022	1,515,000	118,544	44,457
2023	580,000	88,244	15,836
2024-2028	2,160,000	269,093	27,900
2029-2031	1,040,000	46,369	3,686
Total	<u>\$ 11,105,000</u>	<u>\$ 1,258,282</u>	<u>\$ 446,067</u>

As of June 30, 2018, the District had \$18,518,813 authorized but unissued serial bonds in connection with their 2020 Vision Capital Project.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$326,522 of bonds outstanding are considered defeased.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2018 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 923,830	\$ -	\$ 534,303	\$ 266,967
Capital Projects Fund	-	-	100,000	-
Special Aid Fund	150,557	1,074,387	166,967	-
Debt Service Fund	-	-	-	534,303
Agency Fund	-	-	-	-
Total	\$ 1,074,387	\$ 1,074,387	\$ 801,270	\$ 801,270

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 received by the General Fund not transferred before the end of the year to the Special Aid Fund.

Interfund revenues and expenditures were incurred primarily due to the General Fund transferring funds to the Capital and Special Aid Fund for the current year capital outlay project and local share of the Summer School Handicap program. Funds were transferred from the Debt Service Fund to the General Fund to fund current year debt service payments.

L. NET POSITION AND FUND BALANCE

1. NET POSITION

The district-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2018.

Unrestricted net position - This category represents net position of the District not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2018 include:

- *Prepaid items* - represents miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.
- *Inventory* - represents nonspendable inventory in the school lunch fund and school store.

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

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2018, the District had no committed fund balances.

Assigned – represents amounts that are constrained by the District's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned or a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.
- *Assigned to subsequent year's expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

As of June 30, 2018, fund balances were classified as follows:

	General	Capital	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ -	\$ -	\$ 16,761	\$ 16,761
Prepays	97,150	-	-	97,150
<u>Restricted:</u>				
Capital	1,503,396	-	-	1,503,396
Repairs	172,265	-	-	172,265
Retirement	2,985,192	-	-	2,985,192
Unemployment insurance	434,835	-	-	434,835
Employee benefit and accrued liability	4,145,229	-	-	4,145,229
<u>Assigned:</u>				
Subsequent years' expenditures	2,000,000	-	-	2,000,000
Debt service	-	-	746,814	746,814
Capital	-	6,934,030	-	6,934,030
School lunch	-	-	372,231	372,231
Encumbrances:				
General support	174,051	-	-	174,051
Instruction	532,769	-	-	532,769
<u>Unassigned:</u>				
General	2,087,566	-	-	2,087,566
Total	\$ 14,132,453	\$ 6,934,030	\$ 1,135,806	\$ 22,202,289

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

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 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 15th. Voluntary withdrawal from the Plan is effective once annually. Withdrawal from the Plan is effective at the end of the current operating year, upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan before July 15th. Upon withdrawal, the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based 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, 2018 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, 2017, the Plan had an unfunded liability of \$588,952.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. GRANT AWARDS

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 District'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 District anticipates such amounts, if any, will be immaterial.

B. ENCUMBRANCES

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 \$706,820 recorded in the General Fund.

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

NOTE 6 – TAX ABATEMENTS

The Genesee County Industrial Development Agency d/b/a Genesee County Economic Development Center (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively “the Act”), has thirty four real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended June 30, 2018, the District's total tax revenues were reduced by \$1,065,698.

Copies of the agreements may be obtained from the Batavia City School District, 260 State Street, Batavia, NY 14020.

NOTE 7 – RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District's single-employer defined benefit other postemployment benefit plan.

Net position beginning of year, as previously stated	\$ 48,932,015
GASB Statement No. 75 implementation	
Plan liability under GASB Statement No. 75 as of 7/1/17	(4,189,493)
Plan liability under GASB Statement No. 45 as of 7/1/17	<u>59,259</u>
Net position beginning of year, as restated	\$ <u>44,801,781</u>

NOTE 8 – SUBSEQUENT EVENTS

A. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after October 2, 2018 which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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**BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES				
Local sources:				
Real property taxes	\$ 18,501,372	\$ 18,501,372	\$ 18,493,392	\$ (7,980)
Real property tax items	707,930	707,930	733,612	25,682
Non-property tax items	750,000	750,000	678,891	(71,109)
Charges for services	171,000	171,000	389,642	218,642
Use of money and property	187,000	187,000	214,278	27,278
Sale of property and compensation for loss	15,750	15,750	66,627	50,877
Miscellaneous local sources	300,000	300,000	374,749	74,749
Interfund revenues	-	-	22,525	22,525
State sources:				
Basic formula, excess cost and lottery aid	21,918,323	21,918,323	23,482,782	1,564,459
BOCES	2,761,898	2,761,898	3,037,994	276,096
Other	1,269,918	1,269,918	377,538	(892,380)
Federal sources	40,000	40,000	98,073	58,073
Total revenues	46,623,191	46,623,191	47,970,103	1,346,912
Other sources:				
Interfund transfers in	534,303	534,303	534,303	-
Appropriated from reserves	713,091	713,091	-	(713,091)
Appropriated fund balance	2,000,000	2,590,048	-	(2,590,048)
Total revenues and other sources	\$ 49,870,585	\$ 50,460,633	\$ 48,504,406	\$ (1,956,227)

The notes to the required supplementary information is an integral part of this schedule.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General support:					
Board of education	\$ 11,923	\$ 23,753	\$ 19,779	\$ 199	\$ 3,775
Central administration	294,869	434,742	404,727	9,246	20,769
Finance	671,240	666,482	519,252	34,772	112,459
Staff	258,268	358,535	316,885	-	41,650
Central services	3,510,289	3,546,502	2,949,527	129,834	467,141
Special items	826,947	807,083	803,619	-	3,464
Instruction:					
Instruction, administration and improvements	1,673,202	1,716,852	1,661,318	6,438	49,097
Teaching - regular school	14,154,098	14,709,639	14,028,539	145,186	535,913
Programs for children with handicaps	5,715,999	5,283,750	4,833,303	223,111	227,336
Occupational education	1,018,334	1,018,834	1,018,834	-	-
Instructional media	2,585,955	2,964,554	2,769,772	144,178	50,604
Pupil services	2,025,118	2,070,640	1,996,102	13,857	60,681
Transportation	1,892,298	1,846,796	1,625,744	-	221,052
Employee benefits	11,028,356	10,676,816	9,824,948	-	851,868
Debt Service:					
Principal	3,572,321	3,572,321	3,572,321	-	-
Interest	496,368	496,368	496,368	-	-
Total expenditures	49,735,585	50,193,666	46,841,038	706,820	2,645,808
Other uses:					
Interfund transfers out	135,000	266,967	266,967	-	-
Total expenditures and other uses	\$ 49,870,585	\$ 50,460,633	47,108,005	\$ 706,820	\$ 2,645,808
Net change in fund balance			\$ 1,396,401		

The notes to the required supplementary information is an integral part of this schedule.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB RELATED LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Measurement Date	July 1, 2017
Total OPEB Liability	
Service cost	\$ 218,448
Interest	128,717
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(9,527)
Changes of assumptions or other inputs	-
Benefit payments	<u>(236,470)</u>
Net change in total OPEB liability	101,168
Total OPEB liability - beginning	<u>4,189,493</u>
Total OPEB liability - ending	<u><u>\$ 4,290,661</u></u>
Covered payroll	\$ 21,752,381
Total OPEB liability as a percentage of covered payroll	19.73%

*Information prior to the year ended June 30, 2018 not available.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
LAST FOUR FISCAL YEARS*

	Year Ended June 30,			
	2015	2016	2017	2018
Teachers' Retirement System (TRS)				
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension (asset) liability	0.103990%	0.104113%	0.101061%	0.104664%
District's proportionate share of the net pension (asset) liability	\$ <u>(11,583,487)</u>	\$ <u>(10,813,982)</u>	\$ <u>1,082,403</u>	\$ <u>(795,554)</u>
District's covered-employee payroll	\$ 15,590,337	\$ 15,639,127	\$ 15,994,698	\$ 16,589,511
District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	-74%	-69%	7%	-5%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.1%	-100.7%
Employees' Retirement System (ERS)				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
District's proportion of the net pension liability	.017260%	.018027%	0.017963%	0.019183%
District's proportionate share of the net pension liability	\$ <u>583,085</u>	\$ <u>2,893,420</u>	\$ <u>1,687,823</u>	\$ <u>619,126</u>
District's covered-employee payroll	\$ 4,554,634	\$ 4,724,444	\$ 5,554,242	\$ 5,464,998
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13%	61%	30%	11%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%

* Information prior to the year ended June 30, 2015 is not available.

The notes to the required supplementary information is an integral part of this schedule.

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

	TEACHERS' RETIREMENT SYSTEM									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,216,810	\$ 1,010,874	\$ 1,481,972	\$ 1,693,204	\$ 1,770,476	\$ 2,496,415	\$ 2,741,538	\$ 2,067,856	\$ 1,944,291	\$ 1,678,033
Contributions in relation to the contractually required contribution	<u>1,216,810</u>	<u>1,010,874</u>	<u>1,481,972</u>	<u>1,693,204</u>	<u>1,770,476</u>	<u>2,496,415</u>	<u>2,741,538</u>	<u>2,067,856</u>	<u>1,944,291</u>	<u>1,678,033</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	16,004,221	16,198,734	16,042,834	15,455,312	15,177,045	15,590,337	15,639,127	15,994,698	16,589,511	17,122,786
Contributions as a percentage of covered-employee payroll	8%	6%	9%	11%	12%	16%	18%	13%	12%	10%
	EMPLOYEES' RETIREMENT SYSTEM									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 423,484	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 822,252	\$ 798,069	\$ 729,110	\$ 793,583
Contributions in relation to the contractually required contribution	<u>423,484</u>	<u>364,020</u>	<u>528,306</u>	<u>854,687</u>	<u>916,569</u>	<u>831,445</u>	<u>822,252</u>	<u>798,069</u>	<u>729,110</u>	<u>793,583</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	4,979,704	5,156,950	4,871,569	4,790,982	4,981,584	4,471,525	4,554,634	4,724,444	5,554,242	5,908,717
Contributions as a percentage of covered-employee payroll	9%	7%	11%	18%	18%	19%	18%	17%	13%	13%

The notes to the required supplementary information is an integral part of this schedule.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY INFORMATION

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, 2018, and therefore, is the only fund presented in the Budgetary Comparison Schedule.

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.

NOTE 2 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis.

SUPPLEMENTARY INFORMATION

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BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	School Lunch	Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 362,152	\$ 746,814	\$ 1,108,966
State and federal aid receivable	42,022	-	42,022
Receivables	3,960	-	3,960
Inventory	16,761	-	16,761
Total assets	<u>\$ 424,895</u>	<u>\$ 746,814</u>	<u>\$ 1,171,709</u>
LIABILITIES			
Accounts payable	26	-	26
Accrued liabilities	16,081	-	16,081
Due to other governments	1,002	-	1,002
Unearned revenue	3,864	-	3,864
Due to retirement systems	14,930	-	14,930
Total liabilities	<u>35,903</u>	<u>-</u>	<u>35,903</u>
FUND BALANCES			
Nonspendable	16,761	-	16,761
Assigned	372,231	746,814	1,119,045
Total fund balances	<u>388,992</u>	<u>746,814</u>	<u>1,135,806</u>
Total liabilities and fund balances	<u>\$ 424,895</u>	<u>\$ 746,814</u>	<u>\$ 1,171,709</u>

**BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	School Lunch	Debt Service	Total
REVENUES			
Use of money and property	\$ 134	\$ -	\$ 134
Miscellaneous local sources	59,512	-	59,512
State sources	25,453	-	25,453
Federal sources	819,171	-	819,171
School lunch	342,478	-	342,478
Total revenues	1,246,748	-	1,246,748
EXPENDITURES			
Current:			
School lunch	1,308,542	-	1,308,542
Total expenditures	1,308,542	-	1,308,542
Excess (deficit) of revenues over expenditures	(61,794)	-	(61,794)
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	-	(534,303)	(534,303)
Total other financing sources (uses)	-	(534,303)	(534,303)
Net change in fund balances	(61,794)	(534,303)	(596,097)
Net position - beginning of year	450,786	1,281,117	1,731,903
Net position - end of year	\$ 388,992	\$ 746,814	\$ 1,135,806

**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, 2018**

Adopted Budget		\$	49,870,585
Additions:			
Encumbrances from prior year			<u>590,048</u>
Final Budget		\$	<u><u>50,460,633</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 expenditure budget	\$	52,189,152
Maximum allowed		<u>2,087,566</u>

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

Unrestricted fund balance:		
Assigned fund balance	2,706,820	
Unassigned fund balance	<u>2,087,566</u>	
Total unrestricted fund balance	<u>4,794,386</u>	

Less:		
Appropriated fund balance	2,000,000	
Encumbrances included in assigned fund balance	<u>706,820</u>	
Total adjustments	<u>2,706,820</u>	

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	<u><u>2,087,566</u></u>
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Actual percentage		4.00%
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**BATAVIA CITY SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND
FOR THE YEAR ENDING JUNE 30, 2018**

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance 06/30/18
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
District Wide/Architect: 2013 Project	\$ 798,154	\$ -	\$ 100,000	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jackson: 2013 Project	583,184	731,721	749,533	(17,812)	731,721	-	731,721	-	-	731,721	-
John Kennedy: 2013 Project	164,425	187,269	264,543	(77,274)	187,269	-	187,269	-	-	187,269	-
Robert Morris: 2013 Project	-	575	6,615	(6,040)	575	-	575	-	-	575	-
Middle School: 2013 Project	17,525	22,902	63,207	(40,305)	22,902	-	22,902	-	-	22,902	-
High School: 2013 Project	679,470	836,462	890,255	(53,793)	836,462	-	836,462	-	-	836,462	-
Richmond Memorial Library: 2013 Project	957,619	1,127,068	1,132,658	(5,590)	1,127,068	-	318,043	3,000	806,025	1,127,068	-
VanDelta Stadium: 2013 Project	159,830	284,616	389,597	(104,981)	284,616	-	284,616	-	-	284,616	-
Concession Stand: 2013 Project	615,318	650,387	650,387	-	650,387	-	650,387	-	-	650,387	-
2017 Capital Outlay Project	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
2018 Capital Outlay Project	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Smart Schools	2,133,393	2,133,393	-	89,619	89,619	2,043,774	-	-	-	-	(89,619)
2020 Vision Project	26,768,813	26,768,813	-	1,231,895	1,231,895	25,536,918	-	-	8,255,544	8,255,544	7,023,649
Total	\$ 33,077,731	\$ 32,943,206	\$ 4,246,795	\$ 1,115,719	\$ 5,362,514	\$ 27,580,692	\$ 3,031,975	\$ 3,000	\$ 9,261,569	\$ 12,296,544	\$ 6,934,030

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2018**

Capital assets, net	\$	43,531,460
Add:		
Bonds payable		11,105,000
Unamortized premium		<u>446,067</u>
Net investment in capital assets	\$	<u><u>31,980,393</u></u>

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INTERNAL CONTROL AND COMPLIANCE

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**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2018.

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
October 2, 2018

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SINGLE AUDIT REPORT

BATAVIA CITY SCHOOL DISTRICT

BATAVIA, NEW YORK

JUNE 30, 2018

BATAVIA CITY SCHOOL DISTRICT
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS 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, 2018. 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 the federal statutes, regulations and the terms and conditions of its federal awards, and contracts 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2018, and have issued our report thereon dated September 5, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as whole.

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2018

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through New York State Bureau of School Food Management:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	10.553	—	\$ -	\$ 175,555
National School Lunch Program	10.555	—	-	559,390
National School Snack Program	10.555	—	-	7,845
National School Lunch Program - Food Distribution	10.555	—	-	55,291
Summer Food Service Program for Children (SFSPC)	10.559	—	-	21,090
<i>Total Child Nutrition Cluster</i>			-	819,171
<i>Total U.S. Department of Agriculture</i>			-	819,171
<u>U.S. Department of Education</u>				
<i>Passed through New York State Education Department:</i>				
Title I Grants to Local Educational Agencies - 2016/2017	84.010	0021-18-1000	-	645,665
Title I Grants to Local Educational Agencies - 2015/2016	84.010	0021-17-1000	-	96,646
Title I Grants School Improvement - 2016/2017	84.010	0011-18-2020	-	15,000
Title I Grants School Improvement - 2015/2016	84.010	0011-17-2020	-	56,039
<i>Total Title I</i>			-	813,350
<u>Special Education Cluster</u>				
Special Education - Grants to States - 2017/2018	84.027	0032-18-0276	-	780,130
Special Education - Grants to States - 2016/2017	84.027	0032-17-0276	-	4,094
Special Education - Preschool Grants - 2017/2018	84.173	0033-18-0276	-	62,420
<i>Total Special Education Cluster</i>			-	846,644
Title VI, Part B - Rural Education Achievement Program - 2Q17/2018	84.358B	0006-18-1000	-	-
Title VI, Part B - Rural Education Achievement Program - 2016/2017	84.358B	0006-17-1000	-	840
<i>Total Title VI, Part B - Rural Education Achievement Program</i>			-	840
Title IIA - Supporting Effective Instruction State Grant - 2017/2018	84.367	0147-18-1000	-	54,437
Title IIA - Supporting Effective Instruction State Grant - 2016/2017	84.367	0147-17-1000	-	21,191
<i>Total Title IIA Supporting Effective Instruction State Grant</i>			-	75,628
<i>Total U.S. Department of Education</i>			-	1,736,462
Total Expenditures of Federal Awards			\$ -	\$ 2,555,633

See notes to the schedule of expenditures of federal awards

BATAVIA CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the District under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 - INDIRECT COST

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

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ yes _____ X none reported

Noncompliance material to financial statements noted?

_____ yes _____ X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ yes _____ X none reported

Type of auditor's report 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)?

_____ X yes _____ no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027/84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

_____ X yes _____ no

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

II. FINANCIAL STATEMENT FINDINGS

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

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2018-001 Policy Updates for Uniform Guidance

*CFDA No. 84.027/84.178 – Special Education Cluster
For the Year Ended June 30, 2018
Passed through NYS Education Department
Federal Agency: U.S. Department of Education*

Criteria: The District's policies must incorporate federal award activity within the process and procedures followed by the District in accordance with the Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Sections 200.112, 200.317-200.326. Under the Uniform Guidance, the procurement requirements were required to be implemented by January 1, 2018 for federal award recipients.

Condition: The District's code of ethics, conflict of interest and procurement policies have not been properly updated to comply with the requirements in the Uniform Guidance.

Cause: The control environment related to the requirements of the Uniform Guidance has not been reviewed and incorporated into the District's control activities through the updating and documentation of the District's policies noted above.

Effect: The District was not in compliance with the requirements of the Uniform Guidance, Section 200.112, *Conflict of Interest* and Sections 200.317-200.326, *Procurement Standards*. This noncompliance could result in a lack of internal controls over the District's activities and monitoring related to these areas and could impact the related federal funding.

Questioned costs: There were no questioned costs noted related to this finding.

Context: This finding was identified during inquiries of management in regards to the control environment over the requirements of the Uniform Guidance and through the review of the related policies noted above.

Recommendation: We recommend that the District review their policies and establish/update such policies to ensure compliance with the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: *The District will review the policies indicated above and update as deemed necessary to be consistent with the Uniform Guidance. Additionally, the District will create a procedure in which an annual review of these policies are performed so that any necessary updates are completed.*

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted for the fiscal year ended June 30, 2017.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2017.

**AUDITED
EXTRACLASSROOM ACTIVITY FINANCIAL STATEMENTS**

BATAVIA CITY SCHOOL DISTRICT
BATAVIA, NEW YORK

JUNE 30, 2018

BATAVIA CITY SCHOOL DISTRICT
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**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, 2018 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 statement.

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, 2018, 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 statement, 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
October 2, 2018

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET ASSETS OF THE EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance <u>July 1, 2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2018</u>
Petty Cash	\$ 2,322	\$ 454	\$ 437	\$ 2,339
JK Student Council	3,228	-	-	3,228
JK Media	2,037	3,931	4,315	1,653
BMS Student Council	2,511	2,297	162	4,646
BMS Jr National Honor Society	353	592	270	675
BMS Yearbook	15,016	3,079	2,153	15,942
BMS A.H.E.A.D.	54	269	299	24
Outdoor Club	934	3,801	3,810	925
BMS Drama	884	597	702	779
Page Turners	328	-	-	328
BMS 5th Grade	37	9,422	7,244	2,215
BMS Entrepreneurship	53	-	53	-
BMS 6th Grade	5,075	20,744	22,628	3,191
7th Grade-Blue-Team 2	11,280	11,690	13,701	9,269
BMS 8th Grade	2,181	7,461	8,056	1,586
BMS Band	1,039	-	1,039	-
BMS/BHS Orchestra	1,014	-	1,014	-
BMS Ski Club	1,475	9,848	10,356	967
Batavian	7,243	12,958	13,671	6,530
BHS Student Government	5,394	18,743	10,585	13,552
BHS Literary	51	-	-	51
HS National Honor Society	399	502	555	346
S.A.D.D./A.T.O.P.	137	1,815	1,924	28
Art Club	271	870	798	343
BHS Drama	3,435	2,785	1,076	5,144
BHS Production	17,426	6,256	4,710	18,972
Character Education	7	-	7	-
Zonta Club	11	2,522	1,147	1,386
BHS Band	369	100	469	-
BHS Chorus	3,808	-	3,808	-
TRI-M	2,235	755	2,990	-
Barber Shop / Sweet Adeline	501	-	501	-
BHS Ski Club	41	682	723	-
Class of 2018	7,646	23,166	30,812	-
Class of 2019	2,054	16,920	4,640	14,334
Class of 2020	4,810	5,174	2,639	7,345
Class of 2021	-	4,634	3,188	1,446
NYS Sales Tax	221	3,571	3,488	304
	<u>\$ 105,880</u>	<u>\$ 175,638</u>	<u>\$ 163,970</u>	<u>\$ 117,548</u>

**BATAVIA CITY SCHOOL DISTRICT
EXTRACLASROOM 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, 2018.

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.