

**AUDITED
BASIC FINANCIAL STATEMENTS**

BATAVIA CITY SCHOOL DISTRICT
BATAVIA, NEW YORK

JUNE 30, 2017

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BATAVIA CITY SCHOOL DISTRICT

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017 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
September 19, 2017

**Management's Discussion and Analysis
Batavia City School District
Fiscal Year ended June 30, 2017**

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, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- The District continues to budget and operate conservatively in these times of economic uncertainty. This budget practice allows the District to continue planning for the long term by setting funds aside in anticipation of future needs while maintaining effective fund balances in a time of financial uncertainty in funding from the State of New York. The District has also been able to make adjustments in its budget and operations over the last several years while absorbing reductions in NYS aid thereby helping to maintain modest minimal growth in the property tax rate over the last ten years (2006-07 through 2016-17). Tax rates, on average have decreased \$0.22 per thousand of assessed valuation or 0.90% and the average tax levy has increased only 0.68%. While at the same time, the District has maintained 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 \$344,738; 2017 Capital Reserve has a total restricted balance of \$650,000; Employee Benefit Liability Reserve has a total restricted balance of \$4,141,565; NYS Employees Retirement Reserve has a total restricted balance of \$2,845,766 and Repair Reserve has a total restricted balance of \$72,201. Total General Fund restricted reserves as of June 30, 2017 are \$8,054,270. In addition, the 2015 Capital Reserve was fully funded by June 30, 2017 and transferred to Capital Fund as assigned fund balance and has a balance of \$7,944,206.
- The District was able to fund the 2017 Capital Reserve with transfers totaling \$650,000 from the Repair Reserve.
- Total transfer into reserves or directly to the Capital Fund from surplus General Fund appropriations in 2016-17 was \$1,847,788.
- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,994,734 and this amount was within the statutory limit.
- The District has continued to offer retirement incentives and fully funded the 2017-18 payment as an accrued liability as of June 30, 2017. The remaining balance of \$455,917 is recorded as other long term debt.
- General fund revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$44,496,294 or 85.68% of all revenues.

The District tax levy in the last ten (10) completed fiscal years from 2007-08 through 2016-17, has increased a total of only \$1,189,166 or 6.80% over the past ten (10) years or an average yearly increase of \$118,917 which represents a minimal average annual increase of only 0.68% per year.

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

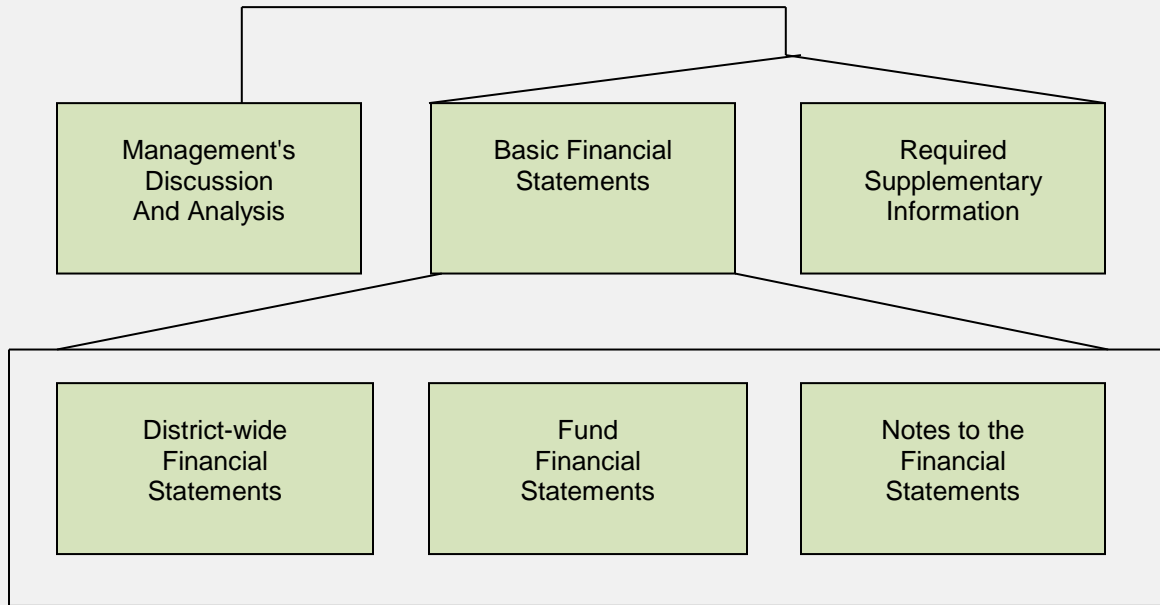


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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	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 it has 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 \$29,983,936 and constitute 61.40% 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
	2017	2016	2016-2017
Current and other assets	\$ 26,228	\$ 24,333	7.79%
Capital assets not being depreciated	2,659	4,980	-46.61%
Capital assets, net of accumulated depreciation	41,675	40,768	2.22%
TRS pension asset	-	10,814	100.00%
Total assets	<u>70,562</u>	<u>80,895</u>	<u>-12.77%</u>
Deferred outflow of resources	<u>11,959</u>	<u>4,843</u>	<u>100.00%</u>
Other liabilities	3,393	7,492	-54.71%
Long-term liabilities	<u>29,574</u>	<u>27,684</u>	<u>6.83%</u>
Total liabilities	<u>32,967</u>	<u>35,176</u>	<u>-6.28%</u>
Deferred inflow of resources	<u>622</u>	<u>4,075</u>	<u>100.00%</u>
Net Investment in capital assets	29,984	28,467	5.33%
Restricted for:			
Unemployment insurance	345	357	-3.36%
Employee benefit accrued liability	4,141	8,332	-50.30%
Repairs	72	722	-90.03%
Capital projects	650	2,206	-70.53%
Retirement contribution	2,846	2,844	0.07%
Unrestricted	<u>10,894</u>	<u>3,559</u>	<u>206.10%</u>
Total net position	<u>\$ 48,932</u>	<u>\$ 46,487</u>	<u>5.26%</u>

Figure A-4

Changes in Net Position
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2017	2016	2016-2017
Revenues:			
Real property taxes	\$ 18,501	\$ 18,495	0.03%
Real property tax items	917	631	45.32%
Non-property taxes	698	695	0.43%
Charges for services	271	204	32.84%
Use of money and property	198	210	-5.71%
Miscellaneous	646	463	39.52%
Sale of property and compensation for loss	8	15	-46.67%
State and federal aid	30,283	28,001	8.15%
School lunch	342	343	-0.29%
Total revenues	<u>51,864</u>	<u>49,057</u>	<u>5.72%</u>
Expenses:			
General support	6,164	5,451	13.08%
Instruction	37,738	34,725	8.68%
Pupil Transportation	1,683	1,674	0.54%
Debt service	560	494	13.36%
School lunch	1,229	1,212	1.40%
Depreciation	2,045	2,007	1.89%
Total expenses	<u>49,419</u>	<u>45,563</u>	<u>8.46%</u>
Change in net position	<u>\$ 2,445</u>	<u>\$ 3,494</u>	<u>-30.02%</u>

Governmental Activities

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

Figure A-5

Sources of Revenues for Fiscal Year 2016

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016	2016-2017	2017	2016	2016-2017
General support	\$ 6,164	\$ 5,451	13.08%	\$ 6,047	\$ 5,340	13.24%
Instruction	37,738	34,725	8.68%	27,449	23,239	18.12%
Pupil transportation	1,683	1,674	0.54%	687	619	10.99%
Debt service	560	494	13.36%	560	494	13.36%
School lunch	1,229	1,212	1.40%	92	39	135.90%
Depreciation	2,045	2,007	1.89%	3,045	2,007	51.72%
Total	\$ 49,419	\$ 45,563	8.46%	\$ 37,880	\$ 31,738	19.35%

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 \$22,412,161. \$14,243,835 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 2017-2018 budget. The remainder of the fund balance, \$8,168,326 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 \$344,738; a reserve for employee benefit accrued liability of \$4,141,565; a reserve for repairs of \$72,201; a capital projects reserve of \$650,000; and a reserve for retirement contribution of \$2,845,766.

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 \$12,736,052, of which \$1,994,734 or 4.00% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund decreased by \$4,741,996, primarily due to a transfer of capital reserve funds to the capital fund of \$8,544,731.

Figure A-6

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

2017			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 46,099	\$ 50,841	12,736
Special Aid Fund	2,630	2,630	-
Capital Fund	11,355	450	7,944
2016			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 42,075	\$ 43,208	17,478
Special Aid Fund	2,293	2,293	-
Capital Fund	705	2,057	(2,961)

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 fully funding the 2015 capital reserve. Funding of reserves are planned in anticipation for the continued uncertainty in State Aid by the GAP Elimination Adjustment; fluctuating costs associated with both the Employees Retirement System and also with Teacher's Retirement System and costs for repairs of capital improvements and equipment. The reserve for the employee benefit accrued liability at June 30, 2017 was \$4,141,565. This represents approximately 100.00% of the District's GASB 45 actuary report of the present value of total future liability for current employee and retirees health insurance costs. In addition, all reserves are evaluated each year as part of the District's long range financial plan.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017 the District had capital assets of \$44,333,885 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.

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
	2017	2016	2016-2017
Land	\$ 2,252	\$ 2,252	0.00%
Construction in process	406	2,728	-85.12%
Buildings	38,729	37,416	3.51%
Furniture and equipment	2,947	3,352	-12.08%
Total	<u>\$ 44,334</u>	<u>\$ 45,748</u>	<u>-3.09%</u>

Long-Term Obligations

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

At June 30, 2017, 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
	2017	2016	2016-2017
General obligation bonds and notes (financed with property taxes)	\$ 14,677	\$ 13,870	5.82%
Unamortized premium	673	385	100.00%
Retirement incentives	456	322	41.61%
Pensions	2,770	2,893	-4.25%
Other post employment benefits	59	18	100.00%
Compensated absences	10,939	10,196	7.29%
Total	<u>\$ 29,574</u>	<u>\$ 27,684</u>	<u>6.83%</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 2018 bill (billing period April 2017 through March 2018) will be approximately; 15.9% for Tier 3 and Tier 4 employees, no change (0.00%); 13.1% for Tier 5 (new tier as of January 1, 2010), no change (0.00%) and 9.3% for Tier 6 (new tier as of April 1, 2012), no change (0.00%). Tentative 2019 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 0.63% decrease); 13.0% for Tier 5 (a 0.76% decrease) and 9.3% for Tier 6 (no change).

The New York State Teachers' Retirement System has also indicated the employer contribution rate to be used to calculate the TRS expenditures for 2017-18 fiscal year will be 9.70% of eligible salaries or a decrease of 16.38%. Below is a chart of the District contribution rates since 2010-11 fiscal year and the annual percentage change in contribution rate:

	Employer Contribution Rate	Annual % Change
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%

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
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 21,245,620
State and federal aid receivable	1,631,173
Taxes receivable	461,279
Accounts receivable	213,991
Due from fiduciary funds	692
Due from other governments	2,561,001
Prepays	97,000
Inventory	17,056
Capital assets not being depreciated	2,658,721
Capital assets, net of accumulated depreciation	41,675,164
Total assets	<u>70,561,697</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	<u>11,958,902</u>
Total deferred outflows of resources	<u>11,958,902</u>

LIABILITIES

Accounts payable	349,734
Accrued liabilities	730,167
Due to other governments	18,766
Unearned revenue	6,246
Due to retirement systems	2,287,287
Long-term liabilities:	
Due and payable within one year	4,345,830
Due and payable after one year	25,228,490
Total liabilities	<u>32,966,520</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	<u>622,064</u>
Total deferred inflows of resources	<u>622,064</u>

NET POSITION

Net investment in capital assets	29,983,936
Restricted for:	
Unemployment insurance	344,738
Employee benefit accrued liability	4,141,565
Repairs	72,201
Capital reserve	650,000
Retirement contribution	2,845,766
Unrestricted	10,893,809
Total net position	<u>\$ 48,932,015</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 4,986,433	\$ 1,177,778	\$ 117,507	\$ -	\$ (6,046,704)
Instruction	28,384,593	9,353,191	153,032	10,135,538	(27,449,214)
Pupil transportation	1,672,298	10,575	-	995,681	(687,192)
Interest	560,330	-	-	-	(560,330)
School lunch	1,229,454	-	342,309	795,271	(91,874)
Unallocated employee benefits	10,541,544	(10,541,544)	-	-	-
Unallocated depreciation	2,044,525	-	-	-	(2,044,525)
Total governmental activities	\$ 49,419,177	\$ -	\$ 612,848	\$ 11,926,490	(36,879,839)
General revenues:					
					18,501,371
					917,333
					697,608
					198,407
					6,573
					18,357,006
					646,701
					39,324,999
Change in net position					
					2,445,160
Net position - beginning of year					
					46,486,855
Net position - end of year					
					\$ 48,932,015

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	Capital	Debt Service	Nonmajor Fund (School Lunch)	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 11,365,805	\$ 265,846	\$ 8,250,000	\$ 895,056	\$ 468,913	\$ 21,245,620
State and federal aid receivable	576,229	1,053,388	-	-	1,556	1,631,173
Taxes receivable	461,279	-	-	-	-	461,279
Accounts receivable	195,794	22	16,061	-	2,114	213,991
Due from other governments	2,561,001	-	-	-	-	2,561,001
Due from other funds	1,552,489	-	-	386,061	-	1,938,550
Prepays	97,000	-	-	-	-	97,000
Inventory	-	-	-	-	17,056	17,056
Total assets	<u>\$ 16,809,597</u>	<u>\$ 1,319,256</u>	<u>\$ 8,266,061</u>	<u>\$ 1,281,117</u>	<u>\$ 489,639</u>	<u>\$ 28,165,670</u>
LIABILITIES						
Accounts payable	\$ 312,067	\$ 35,081	\$ -	\$ -	\$ 2,586	\$ 349,734
Accrued liabilities	676,444	37,981	-	-	15,742	730,167
Due to other governments	17,639	191	-	-	936	18,766
Due to other funds	370,000	1,246,003	321,855	-	-	1,937,858
Unearned revenue	3,000	-	-	-	3,246	6,246
Due to retirement systems	2,270,944	-	-	-	16,343	2,287,287
Total liabilities	<u>3,650,094</u>	<u>1,319,256</u>	<u>321,855</u>	<u>-</u>	<u>38,853</u>	<u>5,330,058</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	423,451	-	-	-	-	423,451
Total deferred inflows of resources	<u>423,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,451</u>
FUND BALANCES						
Nonspendable	97,000	-	-	-	17,056	114,056
Restricted	8,054,270	-	-	-	-	8,054,270
Assigned	2,590,048	-	7,944,206	1,281,117	433,730	12,249,101
Unassigned	1,994,734	-	-	-	-	1,994,734
Total fund balances (deficit)	<u>12,736,052</u>	<u>-</u>	<u>7,944,206</u>	<u>1,281,117</u>	<u>450,786</u>	<u>22,412,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,809,597</u>	<u>\$ 1,319,256</u>	<u>\$ 8,266,061</u>	<u>\$ 1,281,117</u>	<u>\$ 489,639</u>	<u>\$ 28,165,670</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(Continued)

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

Total fund balances - governmental funds (page 16)	22,412,161
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	44,333,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(14,677,321)
Premium on bonds payable	(672,628)
Compensated absences	(10,938,969)
Net postemployment liabilities	(59,259)
Net pension liabilities	(2,770,226)
Retirement incentive	(455,917)
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	11,336,838
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>423,451</u>
Net position of governmental activities	\$ <u><u>48,932,015</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, 2017

	General	Special Aid	Capital	Debt Service	Nonmajor Fund (School Lunch)	Total Governmental Funds
REVENUES						
Real property taxes	\$ 18,567,575	\$ -	\$ -	\$ -	\$ -	\$ 18,567,575
Real property tax items	917,333	-	-	-	-	917,333
Non-property taxes	697,608	-	-	-	-	697,608
Charges for services	270,539	-	-	-	-	270,539
Use of money and property	197,631	-	-	597	179	198,407
Sale of property and compensation for loss	8,226	-	-	-	-	8,226
Miscellaneous local sources	402,155	-	160,601	-	59,467	622,223
Interfund revenues	24,478	-	-	-	-	24,478
State sources	23,339,999	726,955	-	3,471,035	24,461	27,562,450
Federal sources	70,750	1,879,486	-	-	770,810	2,721,046
School lunch	-	-	-	-	342,309	342,309
Total revenues	<u>44,496,294</u>	<u>2,606,441</u>	<u>160,601</u>	<u>3,471,632</u>	<u>1,197,226</u>	<u>51,932,194</u>
EXPENDITURES						
Current:						
General government	5,133,573	-	-	-	-	5,133,573
Instruction	26,177,691	2,242,184	-	-	-	28,419,875
Pupil transportation	1,630,723	41,575	-	-	-	1,672,298
School lunch	-	-	-	-	1,229,454	1,229,454
Employee benefits	9,154,807	346,499	-	-	-	9,501,306
Debt service:						
Principal	-	-	-	10,015,000	-	10,015,000
Interest	-	-	-	846,165	-	846,165
Capital outlay:						
General government	-	-	450,102	-	-	450,102
Total expenditures	<u>42,096,794</u>	<u>2,630,258</u>	<u>450,102</u>	<u>10,861,165</u>	<u>1,229,454</u>	<u>57,267,773</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, 2017
(Continued)

	General	Special Aid	Capital	Debt Service	Nonmajor Fund (School Lunch)	Total Governmental Funds
Excess (deficit) of revenues over expenditures	2,399,500	(23,817)	(289,501)	(7,389,533)	(32,228)	(5,335,579)
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issues	1,602,321	-	2,650,000	6,570,000	-	10,822,321
Premium on obligations	-	-	-	479,039	-	479,039
Interfund transfers in	-	23,817	8,544,731	370,000	-	8,938,548
Interfund transfers out	(8,743,817)	-	-	(194,731)	-	(8,938,548)
Total other financing sources (uses)	(7,141,496)	23,817	11,194,731	7,224,308	-	11,301,360
Net change in fund balances	(4,741,996)	-	10,905,230	(165,225)	(32,228)	5,965,781
Fund balances - beginning	17,478,048	-	(2,961,024)	1,446,342	483,014	16,446,380
Fund balances - ending	<u>\$ 12,736,052</u>	<u>\$ -</u>	<u>\$ 7,944,206</u>	<u>\$ 1,281,117</u>	<u>\$ 450,786</u>	<u>\$ 22,412,161</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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)	\$ 5,965,781
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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 (\$2,044,525) exceeded capital outlays (\$632,524) in the current period.	(1,412,001)
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In the statement of activities, the loss on the disposal of assets is reported as a decrease in financial resources. Thus the change in net position differs from the change in fund balance by the net book value of the assets sold.	(1,653)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Proceeds of serial bonds	(10,822,321)
Repayment of serial bonds	10,015,000
Change in compensated absences	(743,283)
Proceeds from premium	(479,039)
Amortization of premium	191,087
Change in retirement incentive	(134,018)

Interest accrued and reported in the statement of activities does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.	94,748
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Change in proportionate share of net pension liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. (ERS \$1,205,597, TRS (\$11,896,385)).	(10,690,788)
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Change in proportionate share of net deferred inflows and outflows reported in the statement of net position during the measurement period between the District's contributions and its proportionate share of 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. (ERS (\$1,457,815), TRS \$12,026,506).	10,568,691
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Revenues that are deferred are accrued and reported in the statement of activities whereas on the governmental funds only revenues that are available to pay current obligations are reported.	(66,204)
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Change in the net postemployment liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.	(40,840)
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Change in net position of governmental activities	\$ 2,445,160
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See notes to basic financial statements

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 560,438
Cash and cash equivalents - restricted	245,482	105,880
Restricted investments	501,856	-
Accounts receivable	-	4,182
Due from BCSD foundation	356	-
Total assets	747,694	\$ 670,500
LIABILITIES		
Accounts payable	10,500	\$ -
Agency liabilities	-	563,928
Extraclassroom activity balances	-	105,880
Due to other funds	-	692
Total liabilities	10,500	\$ 670,500
NET POSITION		
Restricted for scholarships	\$ 737,194	

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
ADDITIONS	
Interest	\$ 9,959
Gifts and donations	4,280
Net increase in fair value of investments	<u>95,365</u>
Total additions	109,604
DEDUCTIONS	
Scholarships	<u>20,796</u>
Total deductions	<u>20,796</u>
Change in net position	88,808
Net position - beginning	<u>648,386</u>
Net position - ending	<u><u>\$ 737,194</u></u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The District is governed by the Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and are primarily accountable for all fiscal matters.

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

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

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

1. INCLUDED IN THE REPORTING ENTITY

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

2. JOINT VENTURE

The District is a component 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2017, the District was billed \$5,994,315 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

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

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

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

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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 recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

D. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. INVESTMENTS

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

4. RECEIVABLES

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts, however, no allowance for uncollectible accounts 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. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. INSURANCE

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item 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 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 2.E.

In addition to liabilities, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. 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 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 2.E.

9. UNEARNED REVENUE

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

10. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

11. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources. Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental 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.

12. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

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

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 2.F).

13. NET POSITION FLOW ASSUMPTION

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

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

14. FUND BALANCE FLOW ASSUMPTIONS

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

15. FUND BALANCE POLICIES

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

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

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

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 1. Uncollected real property taxes at June 30, 2017 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 77 is to require governments, such as the District, that enter into tax abatement agreements to disclose information about the tax abatement agreements that are entered into by other governments and that reduce the District's tax revenues.

The District has evaluated Statements No. 74, 78, 79, 80 and 82 and have determined that they have no impact on the District's operations.

The GASB has issued the following new pronouncements:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending June 30, 2018;
- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending June 30, 2018;
- 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. 85, *Omnibus*, which will be effective for the year ending June 30, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending June 30, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.

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

H. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after September 19, 2017 which is the date these financial statements were available to be issued.

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

The District's aggregate bank balances were fully collateralized at June 30, 2017.

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 \$105,880 within the Agency Fund restricted for extraclassroom activities, and \$245,482 in the Private Purpose Trust Fund restricted for scholarships.

Investments

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

		<u>Cost</u>	<u>Fair Value</u> <u>June 30, 2017</u>
198	Shares Comcast Corporation	\$ -	\$ 7,706
34	Shares NCR Corporation	-	1,399
34	Shares Teradata Corporation	-	1,010
1323	Shares American Telephone and Telegraph, Inc.	2,820	49,282
3527	Shares Putnam Investors Fund, Inc.	50	88,818
68	Shares Alcatel-Lucent	1,141	-
3210	Shares Eastman Kodak	200,000	-
638	Shares Verizon	5,498	28,123
12	Shares Fair Point Communications	-	187
3579	Shares JP Morgan Chase	91	325,331
			<u>\$ 501,856</u>

For the year ended June 30, 2017, the District recognized a net increase in the fair value on investments of \$95,365.

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

Custodial Credit Risk

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

Significant revenues accrued by the District include the following:

Receivables consist of the following at June 30, 2017:

General Fund:	
Taxes Receivable	\$ <u>461,279</u>
General Fund:	
Due from other governments	
BOCES' aid	\$ 2,525,856
PILOT	<u>35,145</u>
	\$ <u>2,561,001</u>

State and federal aid receivable, consists of the following at June 30, 2017:

General Fund:	
State Aid – excess cost aid	\$ <u>576,229</u>
Special Aid Fund:	
Section 619	27,217
Section 611	264,241
Title VI	498
Title I	280,214
Universal Pre-Kindergarten	89,934
Summer school	168,012
Teacher Resource Center	37,283
Extended day school	129,843
Title IIA	<u>56,146</u>
	1,053,388
School Lunch Fund	<u>1,556</u>
Total	\$ <u>1,631,173</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance 7/1/16	Increases	Decreases	Balance 6/30/17
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,252,349	\$ -	\$ -	\$ 2,252,349
Construction work in progress	<u>2,727,623</u>	<u>450,102</u>	<u>2,771,353</u>	<u>406,372</u>
Total capital assets not being, depreciated	4,979,972	450,102	2,771,353	2,658,721
Capital assets being depreciated:				
Buildings	59,990,035	2,771,353	-	62,761,388
Furniture and equipment	<u>12,908,161</u>	<u>182,422</u>	<u>36,200</u>	<u>13,054,383</u>
Total capital assets, being depreciated	<u>72,898,196</u>	<u>2,953,775</u>	<u>36,200</u>	<u>75,815,771</u>
Less accumulated depreciation:				
Buildings	22,573,717	1,459,970	-	24,033,687
Furniture and equipment	<u>9,556,912</u>	<u>584,555</u>	<u>34,547</u>	<u>10,106,920</u>
Total accumulated depreciation	<u>32,130,629</u>	<u>2,044,525</u>	<u>34,547</u>	<u>34,140,607</u>
Total capital assets being depreciated, net	<u>40,767,567</u>	<u>909,250</u>	<u>1,653</u>	<u>41,675,164</u>
Governmental activities capital assets, net	<u>\$ 45,747,539</u>	<u>\$ 1,359,352</u>	<u>\$ 2,773,006</u>	<u>\$ 44,333,885</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, 2017, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Total
Salary and employee benefits	\$ 135,800	\$ 37,981	\$ 6,759	\$ 180,540
Accrued vacation	220,061	-	8,983	229,044
BTA sick bank	42,100	-	-	42,100
Retirement incentives	<u>278,483</u>	<u>-</u>	<u>-</u>	<u>278,483</u>
Total accrued liabilities	<u>\$ 676,444</u>	<u>\$ 37,981</u>	<u>\$ 15,742</u>	<u>\$ 730,167</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

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

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, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2016 for TRS and March 31, 2017 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Net pension liability	\$1,082,403	\$1,687,823
District's portion of the Plan's total net pension liability	.101061%	.017963%
Change in proportion since the prior measurement date	(.003252)	(.000064)

For the year ended June 30, 2017, the District's recognized pension expense of \$998,480 for ERS and \$1,817,474 for TRS, respectively. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ -	\$ 42,295	\$ 351,625	\$ 256,305
Changes of assumptions	6,166,058	576,622	-	-
Net difference between projected and actual earnings on pension plan investments	2,433,812	337,127	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	179,112	64,278	12,036	2,098
District's contributions subsequent to the measurement date	<u>1,944,291</u>	<u>215,307</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,723,273</u>	<u>\$1,235,629</u>	<u>\$ 363,661</u>	<u>\$ 258,403</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ 341,127	\$ 779,910
2019	341,127	779,910
2020	302,888	2,670,076
2021	(223,223)	2,081,990
2022	-	969,518
Thereafter	-	1,133,917

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

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, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Interest rate	7.5%	7.0%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	July 1, 2009 – June 30, 2014 System's Experience	April 1, 2010 - March 31, 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, 2015 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, 2016 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, 2010 – March 31, 2015 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

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

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

	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u> <u>June 30, 2016</u>	<u>ERS</u> <u>March 31, 2017</u>
Measurement Date				
Asset Class:				
Domestic equities	37.0%	36.0%	6.1%	4.6%
International equities	18.0	14.0	7.3	6.4
Private equity	-	10.0	-	7.8
Real estate	10.0	10.0	5.4	5.8
Alternative Investments	7.0	-	9.2	-
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	-	3.0	-	5.9
Real assets	-	3.0	-	5.5
Bond and Mortgages	8.0	17.0	3.1	1.3
Cash	-	1.0	-	(0.3)
Inflation-indexed bonds	-	4.0	-	1.5
Total	<u>100.0%</u>	<u>100.0%</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, 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 (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability (asset)	\$14,122,411	\$ 1,082,403	(\$9,854,872)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability (asset)	\$ 5,390,573	\$ 1,687,823	(\$1,442,845)

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

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

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:

	ERS	TRS (Dollars in Thousands)	Total
Measurement date	March 31, 2017	June 30, 2016	
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184	\$ 285,977,770
Plan net position	<u>168,004,363</u>	<u>107,506,142</u>	<u>275,510,505</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 1,071,042</u>	<u>\$ 10,467,265</u>
Ratio of Plan net position to the employers' total pension liability	94.7%	99.0%	

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$2,071,980.

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$215,307.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

The Batavia City School District administers the Batavia City School District Retiree Group Health Benefits Program (the Plan) as a single-employer defined benefit Other Postemployment 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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the District's net OPEB obligation to the Plan at June 30, 2017:

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 703,055
Interest on OPEB obligation	737
Adjustment to annual required contribution	<u>(1,318)</u>
Annual OPEB cost (expense)	702,474
Net OPEB contributions made during the fiscal year	<u>661,634</u>
Net OPEB obligation for the current fiscal year	40,840
Net OPEB obligation at beginning of year	<u>18,419</u>
Net OPEB obligation at end of year	<u>\$ 59,259</u>
Percentage of expense contributed	94%

The District's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the current fiscal year ended June 30, 2017 and the preceding year are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 702,474	\$ 661,634	94%	\$ 59,259
2016	593,099	574,680	97%	18,419

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation performed, the actuarial accrued liability for benefits was \$4,136,545, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,084,032, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.62%. The total postemployment health insurance cost to the District for 165 retirees was \$661,635 for the year ended June 30, 2017.

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

Methods and Assumptions

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

The July 1, 2015, actuarial valuation, utilized the projected unit credit method. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the District's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an ultimate healthcare cost trend of 3.9 percent. Both rates included a 2.25 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period is not to exceed thirty years.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

G. SHORT-TERM DEBT

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

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

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2017:

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

H. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding at June 30, 2017 are as follows:

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.

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Issue</u> <u>Date</u>	<u>Original Issue</u> <u>Amount</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>6/30/17</u>
Governmental activities:					
Technology Project					
and improvements	12/29/2010	\$ 3,685,000	06/15/2025	3.25%-3.75%	\$ 240,000
2012 Refunding Serial					
Bonds	08/14/2012	13,995,000	03/15/2019	2.00%-4.00%	3,625,000
2016 Refunding Serial					
Bonds	11/22/2016	6,570,000	06/15/2025	1.00%-2.00%	6,560,000
Technology Purchases					
and capital project	01/26/2017	4,252,321	12/15/2030	2.00%-3.00%	<u>4,252,321</u>
					<u>\$ 14,677,321</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

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 benefit obligations (See Note 2.F.).

CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

	Balance <u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/17</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable:					
Serial bonds:	\$ 13,870,000	\$ 10,822,321	\$ 10,015,000	\$ 14,677,321	\$ 3,572,321
Unamortized premium	<u>384,676</u>	<u>479,039</u>	<u>191,087</u>	<u>672,628</u>	<u>226,561</u>
Total bonds payable	<u>14,254,676</u>	<u>11,301,360</u>	<u>10,206,087</u>	<u>15,349,949</u>	<u>3,798,882</u>
Other liabilities:					
Compensated absences	10,195,686	1,904,910	1,161,627	10,938,969	546,948
Net pension liabilities*	(7,920,562)	10,690,788	-	2,770,226	-
Postemployment benefit					
Obligations	18,419	702,474	661,634	59,259	-
Retirement incentive	<u>515,416</u>	<u>447,001</u>	<u>228,017</u>	<u>734,400</u>	<u>278,483**</u>
Total governmental activities					
long-term liabilities	<u>\$ 17,063,635</u>	<u>\$ 25,046,533</u>	<u>\$ 12,257,365</u>	<u>\$ 29,852,803</u>	<u>\$ 4,624,313</u>

*Additions to net pension liability are presented net of reductions.

**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:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2018	\$ 3,572,321	\$ 496,368	\$ 226,561
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
2023-2027	2,405,000	322,602	42,211
2028-2031	<u>1,375,000</u>	<u>81,104</u>	<u>5,211</u>
Total	<u>\$14,677,321</u>	<u>\$1,754,650</u>	<u>\$ 672,628</u>

As of June 30, 2017, 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

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

On November 22, 2016, the District issued \$6,570,000 in refunding bonds with interest rates ranging from 1.00% to 4.00%. The proceeds were used to advance refund \$6,760,000 of outstanding School District Serial Bonds 2010 and 2007 which had interest rates ranging from 3.75% to 4.00%. The net proceeds of \$6,930,062 (including a \$457,941 premium and \$97,879 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the statement of net position. The economic gain on the transactions (the difference between the present values of the debt service payments on the old and new debt) is approximately \$444,049.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2017 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,552,489	\$ 370,000	\$ -	\$ 8,743,817
Special Aid Fund	-	1,246,003	23,817	-
School Lunch Fund	-	-	-	-
Debt Service Fund	386,061	-	370,000	194,731
Trust & Agency Fund	-	692	-	-
Capital Fund	-	321,855	8,544,731	-
Total	<u>\$ 1,938,550</u>	<u>\$ 1,938,550</u>	<u>\$ 8,938,548</u>	<u>\$ 8,938,548</u>

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

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

Interfund revenues and expenditures were incurred primarily due to the General Fund transferring funds to the Debt Service Fund for required debt service payments and to reimburse the General Fund for capital project related expenses.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

J. DETAIL OF FUND BALANCES

As of June 30, 2017, fund balances were classified as follows:

	<u>General</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Nonmajor Fund (School Lunch)</u>	<u>Total</u>
<u>Nonspendable</u>					
Prepays	\$ 97,000	\$ -	\$ -	\$ -	\$ 97,000
Inventory	-	-	-	17,056	17,056
<u>Restricted:</u>					
Unemployment insurance	344,738	-	-	-	344,738
Repairs	72,201	-	-	-	72,201
Retirement contribution	2,845,766	-	-	-	2,845,766
Capital	650,000	-	-	-	650,000
Employee benefit accrued liability	4,141,565	-	-	-	4,141,565
<u>Assigned:</u>					
Subsequent years' expenditures	2,000,000	-	-	-	2,000,000
Capital fund	-	5,588,991	-	-	5,588,991
Debt Service	-	-	1,281,117	-	1,281,117
School lunch	-	-	-	432,184	432,184
<u>Encumbrances:</u>					
General support	168,668	2,355,215	-	1,546	2,525,429
Instruction	416,778	-	-	-	416,778
Transportation	1,330	-	-	-	1,330
Employee benefits	3,272	-	-	-	3,272
<u>Unassigned:</u>					
General fund	<u>1,994,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,994,734</u>
Total	<u>\$12,736,052</u>	<u>\$7,944,206</u>	<u>\$1,281,117</u>	<u>\$ 450,786</u>	<u>\$22,412,161</u>

Assigned to subsequent year's expenditure – Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.

Assigned to specific use – Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance – Represents the residual classification of the District's General Fund surplus and funds with deficit fund balances.

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.

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

NOTE 3 - 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, 2017 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, 2016, the Plan had an unfunded liability of \$169,491.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. 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 \$590,048, \$56,587, \$2,355,215 and \$1,546 recorded in the General, Special Aid, Capital Projects and School Lunch Funds, respectively.

B. CONTINGENCIES

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the 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.

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

NOTE 5 – 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, 2017, the District’s total tax revenues were reduced by \$613,582.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

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

Schedule of Employer Contributions

June 30, 2016	\$ 574,680
June 30, 2017	\$ 661,635

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
LAST THREE FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Teachers' Retirement System (TRS)			
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016
District's proportion of the net pension liability / (asset)	0.103990%	0.104113%	0.101061%
District's proportionate share of the net pension liability / (asset)	\$ (11,583,847)	<u>(10,813,982)</u>	<u>1,082,403</u>
District's covered-employee payroll	15,590,337	15,639,127	15,994,698
District's proportionate share of the net pension liability / (asset) as a percentage of its covered-employee payroll	-74.3%	-69.1%	6.8%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%

Employees' Retirement System (ERS)

Measurement date	March 31, 2015	March 31, 2016	March 31, 2017
District's proportion of the net pension liability	0.017260%	0.018027%	0.017963%
District's proportionate share of the net pension liability	\$ <u>583,085</u>	\$ <u>2,893,420</u>	\$ <u>1,687,823</u>
District's covered-employee payroll	4,554,634	4,724,444	5,554,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.8%	61.2%	30.4%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	94.7%	94.7%

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

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS - EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,

	EMPLOYEES' RETIREMENT SYSTEM									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 492,956	\$ 423,484	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 822,252	\$ 798,069	\$ 726,828
Contributions in relation to the contractually required contribution	\$ 492,956	\$ 423,484	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 879,677	\$ 820,675	\$ 686,531
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	4,569,384	4,979,704	5,156,950	4,871,569	4,790,982	4,981,584	4,471,525	4,554,634	4,724,444	5,554,242
Contributions as a percentage of covered-employee payroll	11%	9%	7%	11%	18%	18%	19%	19%	17%	12%
	TEACHERS' RETIREMENT SYSTEM									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 1,365,407	\$ 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
Contributions in relation to the contractually required contribution	\$ 1,365,407	\$ 1,216,810	\$ 1,010,874	\$ 1,481,972	\$ 1,693,204	\$ 1,770,476	\$ 2,496,415	\$ 2,741,719	\$ 2,844,815	\$ 1,944,291
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	15,954,875	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
Contributions as a percentage of covered-employee payroll	9%	8%	6%	9%	11%	12%	16%	18%	18%	12%

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES				
Local sources:				
Real property taxes	\$ 18,501,372	\$ 18,501,372	\$ 18,567,575	\$ 66,203
Real property tax items	723,508	723,508	917,333	193,825
Non-property tax items	750,000	750,000	697,608	(52,392)
Charges for services	171,000	171,000	270,539	99,539
Use of money and property	188,296	188,296	197,631	9,335
Sale of property and compensation for loss	8,250	8,250	8,226	(24)
Miscellaneous local sources	300,000	300,000	402,155	102,155
Interfund revenues	-	-	24,478	24,478
State sources:				
Basic formula, excess cost and lottery aid	17,448,858	17,448,858	18,950,699	1,501,841
BOCES	2,840,137	2,840,137	4,057,092	1,216,955
Other	1,309,346	1,309,346	332,208	(977,138)
Federal sources	40,000	40,000	70,750	30,750
Total revenues	42,280,767	42,280,767	44,496,294	2,215,527
Other sources:				
Proceeds from bond issues	-	-	1,602,321	1,602,321
Appropriated from reserves	1,585,672	9,085,672	-	(9,085,672)
Appropriated fund balance	500,000	1,146,339	-	(1,146,339)
Total revenues and other sources	\$ 44,366,439	\$ 52,512,778	\$ 46,098,615	\$ (6,414,163)

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General support:					
Board of education	\$ 11,923	\$ 19,817	\$ 18,140	\$ -	\$ 1,677
Central administration	280,064	401,867	377,193	4,623	20,051
Finance	710,488	603,302	525,535	28,083	49,684
Staff	250,862	426,378	379,010	-	47,368
Central services	3,439,456	3,200,131	3,003,075	135,962	61,094
Special items	840,930	838,282	830,620	-	7,662
Instruction:					
Instruction, administration and improvements	1,549,283	1,637,924	1,603,698	5,237	28,989
Teaching - regular school	13,692,792	13,930,772	13,449,782	90,908	390,082
Programs for children with handicaps	5,427,950	5,258,711	5,025,267	196,348	37,096
Occupational education	1,031,748	1,030,183	1,030,183	-	-
Instructional media	2,484,945	3,243,600	3,153,842	44,843	44,915
Pupil services	1,906,054	2,077,514	1,914,919	79,442	83,153
Transportation	1,817,170	1,863,015	1,630,723	1,330	230,962
Employee benefits	10,517,774	9,226,282	9,154,807	3,272	68,203
Total expenditures	43,961,439	43,757,778	42,096,794	590,048	1,070,936
Other uses:					
Interfund transfers out	405,000	8,755,000	8,743,817	-	11,183
Total expenditures and other uses	\$ 44,366,439	\$ 52,512,778	50,840,611	\$ 590,048	\$ 1,082,119
Net change in fund balance			\$ (4,741,996)		

**BATAVIA CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

A. BUDGET POLICIES

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

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

B. 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, 2017, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

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

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

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

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

SUPPLEMENTARY INFORMATION

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**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, 2017**

Adopted Budget	\$ 44,366,439
Additions:	
Encumbrances from prior year	<u>646,339</u>
Original Budget	45,012,778
Budget revision:	
Transfer from capital reserves	<u>7,500,000</u>
Final Budget	\$ <u>52,512,778</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 expenditure budget	\$ 49,870,585
Maximum allowed	1,994,823

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

Unrestricted fund balance:	
Assigned fund balance	2,590,048
Unassigned fund balance	<u>1,994,734</u>
Total unrestricted fund balance	<u>4,584,782</u>

Less:	
Appropriated fund balance	2,000,000
Encumbrances included in assigned fund balance	<u>590,048</u>
Total adjustments	<u>2,590,048</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,994,734

Actual percentage 4.0%

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES-
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures			Unexpended Balance	Methods of Financing				Fund Balance 06/30/17
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
District Wide/Architect	\$ 798,154	\$ 107,727	\$ 378,595	\$ (278,595)	\$ 100,000	\$ 7,727	\$ -	\$ -	\$ 8,350,000	\$ 8,350,000	\$ (100,000)
Jackson	583,184	2,330,516	614,058	135,474	749,532	1,580,984	731,721	-	-	731,721	(749,532)
John Kennedy	164,425	7,487,576	162,510	102,033	264,543	7,223,033	187,269	-	-	187,269	(264,543)
Rober Morris	-	582,184	-	6,615	6,615	575,569	575	-	-	575	(6,615)
Middle School	17,525	3,833,029	17,525	45,683	63,208	3,769,821	22,903	-	-	22,903	(63,208)
High School	679,470	6,089,231	754,409	135,847	890,256	5,198,975	836,462	-	-	836,462	(890,256)
Richmond Memorial Library	957,619	1,407,880	1,059,378	73,279	1,132,657	275,223	318,043	3,000	806,025	1,127,068	(1,132,657)
VanDelta Stadium	159,830	10,354,676	159,830	229,766	389,596	9,965,080	284,615	-	-	284,615	(389,596)
Concession Stand	615,318	650,387	650,387	-	650,387	0	650,387	-	-	650,387	(650,387)
Total	\$ 3,975,525	\$ 32,843,206	\$ 3,796,692	\$ 450,102	\$ 4,246,794	\$ 28,596,412	\$ 3,031,975	\$ 3,000	\$ 9,156,025	\$ 12,191,000	\$ 7,944,206

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

Capital assets, net	\$ 44,333,885
Deduct:	
Bonds payable	14,677,321
Unamortized premium	<u>672,628</u>
Net investment in capital assets	\$ <u>28,983,936</u>

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FEDERAL FINANCIAL ASSISTANCE

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BATAVIA CITY SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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	N/A	\$ -	\$ 158,427
National School Lunch Program	10.555	N/A	-	537,706
National School Snack Program	10.555	N/A	-	3,204
National School Lunch Program - Food Distribution	10.555	N/A	-	71,473
<i>Total Child Nutrition Cluster</i>			-	770,810
<i>Total U.S. Department of Agriculture</i>			-	770,810
<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	0021-17-1000	-	672,574
Title I Grants to Local Educational Agencies - 2015/2016	84.010	0021-16-1000	-	202,581
Title I Grants School Improvement - 2016/2017	84.010	0011-17-2020	-	43,183
Title I Grants School Improvement - 2015/2016	84.010	0011-16-2020	-	40,239
<i>Total Title I</i>			-	958,577
<u>Special Education Cluster</u>				
Special Education - Grants to States - 2016/2017	84.027	0032-17-0276	-	707,513
Special Education - Grants to States - 2015/2016	84.027	0032-16-0276	-	1,248
Special Education - Preschool Grants - 2016/2017	84.173	0033-17-0276	-	62,839
<i>Total Special Education Cluster</i>			-	771,600
Title VI, Part B - Rural Education Achievement Program - 2016/2017	84.358B	0006-17-1000	-	840
Title VI, Part B - Rural Education Achievement Program - 2015/2016	84.358B	0006-16-1000	-	19,801
<i>Total Title VI, Part B - Rural Education Achievement Program</i>			-	20,641
Title IIA - Supporting Effective Instruction State Grant - 2016/2017	84.367	00147-17-1000	-	81,818
Title IIA - Supporting Effective Instruction State Grant - 2015/2016	84.367	00147-16-1000	-	46,850
<i>Total Title IIA Supporting Effective Instruction State Grant</i>			-	128,668
<i>Total U.S. Department of Education</i>			-	1,879,486
Total Expenditures of Federal Awards			\$ -	\$ 2,650,296

See notes to schedule of expenditures of federal awards.

**BATAVIA CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

NOTE 3 – PASS-THROUGH GRANTOR

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

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the District received \$71,473 of commodities under the Surplus Food Distribution Program (CFDA 10.555).

NOTE 5 – INDIRECT COST RATE

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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
September 19, 2017

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Batavia City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Freed Maxick CPAs, P.C.

Batavia, New York
September 19, 2017

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report(s) issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___yes

___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(s) issued on compliance for
major federal programs:

Unmodified

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

___yes

___X no

Identification of major programs:

CFDA#

Title I

84.010

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, 2017
(Continued)**

II. FINDINGS - FINANCIAL STATEMENT AUDIT

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

**BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2016.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2016.

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EXTRACLASSROOM ACTIVITY

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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, 2017 and the related note to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts, disbursements and changes in cash basis net position of the Extraclassroom Activity Funds of the District for the year ended June 30, 2017, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

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

Freed Maxick CPAs, P.C.

Batavia, New York
September 19, 2017

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
Petty Cash	\$ 2,159	\$ 163	\$ -	\$ 2,322
JK Student Council	3,228	-	-	3,228
JK Media	2,254	4,348	4,564	2,038
BMS Student Council	2,439	72	-	2,511
BMS Jr National Honor Society	616	-	263	353
BMS Yearbook	15,623	4,202	4,809	15,016
BMS A.H.E.A.D.	179	219	344	54
Outdoor Club	999	667	732	934
BMS Drama	796	918	830	884
Page Turners	328	-	-	328
BMS 5th Grade	1,009	2,563	3,535	37
BMS Entrepreneurship	53	-	-	53
BMS 6th Grade	5,017	19,862	19,804	5,075
7th Grade-Blue-Team 2	9,016	18,576	16,312	11,280
BMS 8th Grade	1,577	6,488	5,884	2,181
BMS Band	1,039	-	-	1,039
BMS/BHS Orchestra	916	98	-	1,014
BMS Ski Club	1,546	9,670	9,743	1,473
Batavian	7,928	12,314	12,998	7,244
BHS Student Government	4,788	11,417	10,811	5,394
BHS Literary	50	-	-	50
HS National Honor Society	333	2,667	2,599	401
S.A.D.D./A.T.O.P.	35	1,499	1,396	138
Art Club	227	655	611	271
BHS Drama	3,605	1,556	1,725	3,436
BHS Production	16,429	7,642	6,645	17,426
Character Education	7	-	-	7
Zonta Club	231	780	1,000	11
BHS Band	369	-	-	369
BHS Chorus	4,908	-	1,100	3,808
TRI-M	2,091	703	559	2,235
Barber Shop / Sweet Adeline	501	-	-	501
BHS Ski Club	5	2,596	2,560	41
Class of 2017.	12,991	46,313	59,304	-
Class of 2018	4,861	6,769	3,984	7,646
Class of 2019	15	2,097	58	2,054
Class of 2020	-	7,842	3,032	4,810
NYS Sales Tax	291	-	73	218
	<u>\$ 108,459</u>	<u>\$ 172,696</u>	<u>\$ 175,275</u>	<u>\$ 105,880</u>

See note to financial statement

**BATAVIA CITY SCHOOL DISTRICT
EXTRAClassroom Activity Funds
NOTE TO FINANCIAL STATEMENT**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Position-Fiduciary Funds at June 30, 2017.

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.

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