

**AUDITED  
BASIC FINANCIAL STATEMENTS**

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

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**JUNE 30, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
October 8, 2019



## **Management's Discussion and Analysis Batavia City School District Fiscal Year ended June 30, 2019**

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- The District continues to budget and operate conservatively. 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 previously absorbing reductions in NYS aid thereby helping to maintain modest minimal growth in the property tax levy of 0.93% over the last thirteen fiscal years (average decrease of 0.92% in the tax rate), while at the same time maintaining most of our educational program offerings. The District's financial conservative strategy allows the District to set aside funds into reserves to plan for long term anticipated increases in expenditures. The District has been able to put funds into the following reserve funds: Unemployment Insurance Reserve has a total restricted balance of \$438,471; 2017 Capital Reserve has a total restricted balance of \$1,809,273; Employee Benefit Liability Reserve has a total restricted balance of \$4,179,952; NYS Employees Retirement Reserve has a total restricted balance of \$3,010,299 and Repair Reserve has a total restricted balance of \$173,781. The District also financed a short term Bond Anticipation Note for the 2020 Vision Capital Project during the 2018-19 fiscal year and funds received at the closing for the borrowing resulted in a restricted balance of \$108,519 in the Reserve for Debt. Total restricted reserves as of June 30, 2019 are \$9,720,295.
- The District continued to fund the 2017 Capital Reserve with transfer totaling \$292,514. The total year end balance of this reserve is reflected above. The District continued to fund the NYS Employees Retirement Reserve with transfer totaling \$777,325. The total year end balance of this reserve is reflected above.
- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,020,746 and this amount was within the statutory limit.
- The District has continued to offer retirement incentives and fully funded the 2019-20 payment as an accrued liability as of June 30, 2019. The remaining balance of \$362,849 is recorded as other long term debt.
- General fund revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$47,107,320 or 91.82% of all revenues.
- The District tax levy in the last thirteen (13) completed fiscal years from 2007-8 through 2018-19, has increased a total of only \$2,189,114 or 12.67% or an average yearly increase of \$168,393 which represents a minimal average annual increase of only 0.93% per year.

- The NYS Governor proposed a mid year cut in NYS State Aid during both the 2008-09 and 2009-10 fiscal years and federal stimulus funds were used to offset the proposed State Aid cuts. The adopted NYS budget in 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16 fiscal years has resulted in significant reductions in the District's State Aid allocation. These State Aid reductions are known as GAP Elimination Adjustments. Over this six (6) year period, the total GAP Elimination Adjustment, or loss of state aid, to Batavia City Schools was \$8,649,970 or an average annual loss on NYS Aid of \$1,441,662. Effective 2016-17 the GAP Elimination Adjustment to State Aid was eliminated.
- The NYS Tax Cap was implemented in the 2012-13 fiscal year. The District's seven (7) year calculated average annual increase allowed by the NYS Tax Cap formula was 3.85%. The District's actual tax levy average increase for these seven (7) years was only 0.91%.

### **Overview of the Financial Statements**

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

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

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

**Figure A-1**

***Organization of Batavia City School District's Annual Financial Report***

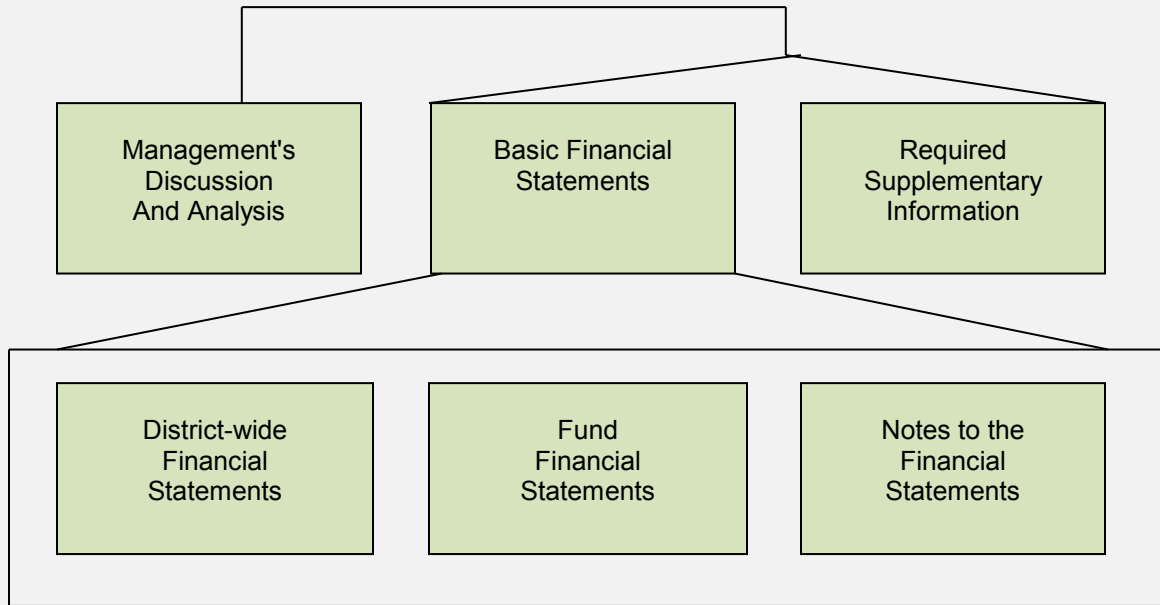


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

## **District-wide Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

### Financial Analysis of the District as a Whole

By far, the largest component of the District's net position reflects its capital assets, less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, the District's net investment in capital assets, was \$35,337,245 and constitute 73.97% 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 Assets (in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Current and other assets	\$ 26,346	\$ 25,994	1.35%
Capital assets not being depreciated	18,160	3,669	394.95%
Capital assets, net of accumulated depreciation	35,473	39,862	-11.01%
TRS pension asset	1,886	796	100.00%
Total assets	81,865	70,321	16.42%
Deferred outflow of resources - Pension	11,017	12,454	-11.54%
Deferred outflow of resources - OPEB	-	619	-100.00%
	11,017	13,073	-15.73%
Current liabilities	16,227	3,360	382.94%
Long term liabilities	25,730	27,350	-5.92%
Total liabilities	41,957	30,710	36.62%
Deferred inflow of resources - Pension	2,988	4,373	-31.68%
Deferred inflow of resources - OPEB	162	9	1699.37%
	3,149	4,382	-28.13%
Invested in capital assets, net of related debt	35,337	31,981	10.49%
Restricted for:			
Unemployment insurance	438	435	0.80%
Employee benefit accrued liability	4,180	4,145	0.84%
Repairs	174	172	1.04%
Capital projects	1,809	1,503	20.38%
Retirement	3,010	2,985	0.85%
Unrestricted (deficit)	2,717	7,081	-61.63%
Total net assets	\$ 47,666	\$ 48,302	-1.32%

Figure A-4

Changes in Net Position (in thousands of dollars)			
	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
<b>Revenues:</b>			
Real property taxes	\$ 18,945	\$ 18,501	2.40%
Real property tax items	611	734	-16.82%
Non property tax items	715	679	5.27%
Charges for services	383	389	-1.46%
Use of money and property	522	220	137.31%
Sale of property and compensation for loss	28	58	-51.26%
Other miscellaneous revenues	599	552	8.46%
State and federal aid	29,369	30,163	-2.63%
School lunch	131	342	-61.59%
Total revenues	51,303	51,638	-0.65%
<b>Expenses:</b>			
General support	6,975	5,987	16.51%
Instruction	39,738	36,784	8.03%
Pupil transportation	1,732	1,662	4.23%
Debt service	222	270	-17.82%
School lunch	1,376	1,304	5.49%
Depreciation	1,787	2,131	-16.13%
Total expenses	51,830	48,138	7.67%
Changes in net positions	\$ (527)	\$ 3,500	-115.06%

## 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-7

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

	Total Cost of Services			Net Cost of Services		
	2019	2018	Percentage Change 2018-2019	2019	2018	Percentage Change 2018-2019
General support	\$ 6,975	\$ 5,987	16.51%	\$ 6,596	\$ 5,597	17.84%
Instruction	39,738	36,784	8.03%	30,531	22,485	35.78%
Pupil transportation	1,732	1,662	4.23%	578	540	6.96%
Debt service - interest	222	270	-17.82%	222	270	-17.82%
School lunch	1,376	1,304	5.49%	88	117	25.10%
Depreciation	1,787	2,131	-16.13%	1,787	2,131	-16.13%
Total	<u>\$ 51,830</u>	<u>\$ 48,138</u>	<u>7.67%</u>	<u>\$ 39,801</u>	<u>\$ 31,140</u>	<u>27.81%</u>

## Financial Analysis of The District's Funds

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

### Governmental Funds:

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$10,420,893. \$583,133 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 2019-2020 budget. The remainder of the fund balance, \$9,837,760 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 \$438,471; a reserve for employee benefit accrued liability of \$4,179,952; a reserve for repairs of \$173,781; a capital projects reserve of \$1,809,273; a reserve for debt of \$108,519 and a reserve for retirement contribution of \$3,010,299.



The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$14,656,601, of which \$2,020,746 or 4.00% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund increased by \$524,148 in the 2018-19 fiscal year.

**Figure A-8**

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

	<b>2019</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 47,963	\$ 47,439	\$ 14,656
Special Aid Fund	2,720	2,720	-
Capital Projects Fund	247	11,787	(4,605)
	<b>2018</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 48,504	\$ 47,108	\$ 14,132
Special Aid Fund	2,489	2,489	-
Capital Projects Fund	106	1,116	6,934

### **General Fund Budgetary Highlights**

The District underexpended its amended budget and while conservatively estimating revenues. By continuing a conservative budget approach the District was able to maintain its current reserves while funding the 2018 capital reserve. Funding of reserves are planned in anticipation for the continued uncertainty in State Aid as evidenced by the GAP Elimination Adjustment in prior years; fluctuating required employer contribution costs (employer contribution rate) associated with both the Employees Retirement System and also with Teacher's Retirement System, costs for repairs of capital improvements and equipment. The reserve for the employee benefit accrued liability at June 30, 2019 was \$4,179,952. This represents approximately 100.00% of the District's liability for accrued sick time which is converted to pay health insurance premiums in retirement. 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, 2019 the District had capital assets of \$91,334,784 (\$53,633,178), net of accumulated depreciation), invested in a broad range of capital assets including land, buildings, and furniture and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

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

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

**Figure A-9**

<i>Capital Assets Net of Depreciation (in thousands of dollars)</i>			
	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Land	\$ 2,347	\$ 2,347	0.00%
Construction in process	15,813	4,093	286.29%
Buildings	33,412	34,592	-3.41%
Vehicles and equipment	2,061	2,499	-17.52%
Total	<u>\$ 53,633</u>	<u>\$ 43,531</u>	<u>23.21%</u>

### Long-Term Obligations

At June 30, 2019, the District had in general obligations and other long-term debt outstanding, as follows:

**Figure A-10**

<i>Outstanding Long-Term Debt (in thousands of dollars)</i>			
	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Serial bonds payable	\$ 8,285	\$ 11,105	-25.39%
Unamortized premiums	261	446	-41.50%
Retirement incentives	363	373	-2.72%
Compensated absences	11,177	10,516	6.29%
Total OPEB liabilities	4,267	4,291	-0.54%
Pension - ERS	1,377	619	122.42%
	<u>\$ 25,730</u>	<u>\$ 27,350</u>	<u>-5.92%</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 2020 bill (billing period April 2018 through March 2019) will be approximately; 15.8% for Tier 3 and Tier 4 employees (no change); 13.0% for Tier 5 (new tier as of January 1, 2010, no change) and 9.3% for Tier 6 (new tier as of April 1, 2012, no change). Tentative 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 change of 0.00%); 13.0% for Tier 5 (a change of 0.00%) and 9.30% for Tier 6 (a change of 0.00%). Estimated 2020 rates are tentatively the same as 2019. These rates will be finalized in August 2020.

The New York State Teachers' Retirement System has also indicated the employer contribution rate to be used to calculate the TRS expenditures for 2019-20 fiscal year will be 8.86% of eligible salaries. This is an decrease of 18.46% compared to 2018-19. Below is a chart of the District employer contribution rates since 2010-11 fiscal year and the annual percentage change in contribution rate:

	Employer Contribution Rate	Annual % Change
2018-19	10.62%	8.37%
2017-18	9.80%	(16.38%)
2016-17	11.72%	(11.61%)
2015-16	13.26%	(24.36%)
2014-15	17.53%	7.88%
2013-14	16.25%	37.25%
2012-13	11.84%	6.57%
2011-12	11.11%	28.89%
2010-11	8.62%	39.26%

The employer contribution rate varies and annual changes can be quite unpredictable but the historical average rate over 42 years is 10.90% (from 1978-79 – 2019-20). The five year average employer contribution rate is 10.85% and the ten year average contribution rate is 11.96%.

### **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, 2019**

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**ASSETS**

Cash and cash equivalents	\$ 22,634,258
State and federal aid receivable	1,576,089
Taxes receivable	476,830
Accounts receivable	228,614
Due from other governments	1,312,363
Prepays	97,426
Inventory	20,039
Net TRS pension asset - proportionate share	1,885,745
Capital assets not being depreciated	18,159,873
Capital assets, net of accumulated depreciation	<u>35,473,305</u>
 Total assets	 <u>81,864,542</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows	<u>11,016,540</u>
 Total deferred outflows of resources	 <u>11,016,540</u>

**LIABILITIES**

Accounts payable	2,648,275
Retainages payable	564,480
Accrued liabilities	812,974
Accrued interest payable	180,745
Bond anticipation notes payable	9,750,000
Due to other governments	18,901
Unearned revenue	598
Due to retirement systems	2,250,676
Long-term liabilities:	
Due and payable within one year	2,108,379
Due and payable after one year	<u>23,621,817</u>
 Total liabilities	 <u>41,956,845</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows	2,987,538
Deferred postemployment inflows	<u>161,943</u>
 Total deferred inflows of resources	 <u>3,149,481</u>

**NET POSITION**

Net investment in capital assets	35,337,245
Restricted for:	
Debt	108,519
Unemployment insurance	438,471
Employee benefit accrued liability	4,179,952
Repairs	173,781
Capital reserve	1,809,273
Retirement contribution	3,010,299
Unrestricted	<u>2,717,216</u>
 Total net position	 <u>\$ 47,774,756</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 5,691,792	\$ 1,283,577	\$ 379,602	\$ -	\$ (6,595,767)
Instruction	29,544,087	10,193,622	3,715	9,202,791	(30,531,203)
Pupil transportation	1,719,941	12,424	-	1,154,794	(577,571)
Interest	221,884	-	-	-	(221,884)
School lunch	1,375,626	-	131,373	1,156,615	(87,638)
Unallocated employee benefits	11,489,623	(11,489,623)	-	-	-
Unallocated depreciation	1,787,337	-	-	-	(1,787,337)
Total governmental activities	\$ 51,830,290	\$ -	\$ 514,690	\$ 11,514,200	(39,801,400)
General revenues:					
Real property taxes					18,945,405
Real property tax items					610,534
Non-property taxes					714,804
Use of money and property					522,083
Sale of property and compensation for loss					28,268
State and federal aid not restricted for a specific purpose					17,854,338
Other miscellaneous revenues					598,718
Total general revenues					39,274,150
Change in net position					(527,250)
Net position - beginning of year, as restated					48,302,006
Net position - end of year					\$ 47,774,756

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General	Special Aid	Capital	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,385,535	\$ -	\$ 6,958,946	\$ 289,777	\$ 22,634,258
State and federal aid receivable	461,615	1,027,350	-	87,124	1,576,089
Taxes receivable	476,830	-	-	-	476,830
Receivables	225,696	31	-	2,887	228,614
Due from other governments	1,312,363	-	-	-	1,312,363
Due from other funds	922,338	-	-	-	922,338
Prepaid items	97,426	-	-	-	97,426
Inventory	-	-	-	20,039	20,039
Total assets	<u>\$ 18,881,803</u>	<u>\$ 1,027,381</u>	<u>\$ 6,958,946</u>	<u>\$ 399,827</u>	<u>\$ 27,267,957</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 747,951	\$ 85,803	\$ 1,814,351	\$ 170	\$ 2,648,275
Accrued liabilities	782,740	17,160	-	13,074	812,974
Bond anticipation notes payable	-	-	9,750,000	-	9,750,000
Due to other governments	15,705	2,080	-	1,116	18,901
Due to other funds	-	922,338	-	-	922,338
Unearned revenue	-	-	-	598	598
Due to retirement systems	2,235,504	-	-	15,172	2,250,676
Total liabilities	<u>3,781,900</u>	<u>1,027,381</u>	<u>11,564,351</u>	<u>30,130</u>	<u>16,403,762</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	<u>443,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,302</u>
Total deferred inflows of resources	<u>443,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,302</u>
<b>FUND BALANCES</b>					
Nonspendable	97,426	-	-	20,039	117,465
Restricted	9,720,295	-	-	-	9,720,295
Assigned	2,818,134	-	-	349,658	3,167,792
Unassigned	2,020,746	-	(4,605,405)	-	(2,584,659)
Total fund balances (deficit)	<u>14,656,601</u>	<u>-</u>	<u>(4,605,405)</u>	<u>369,697</u>	<u>10,420,893</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,881,803</u>	<u>\$ 1,027,381</u>	<u>\$ 6,958,946</u>	<u>\$ 399,827</u>	<u>\$ 27,267,957</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**  
**(Continued)**

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Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Total fund balances - governmental funds (page 16)	10,420,893
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	53,633,178
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Retainages payable	(564,480)
Serial bonds payable	(8,285,000)
Premium on bonds payable	(260,933)
Compensated absences	(11,177,037)
Total OPEB liabilities	(4,267,340)
ERS pension liability	(1,377,037)
TRS pension asset	1,885,745
Retirement incentive	(362,849)
Net accrued interest expense for bonds not reported in the funds	(180,745)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Net pension deferred outflows and inflows of resources	8,029,002
Net postemployment deferred outflows and inflows of resources	(161,943)
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>443,302</u>
Net position of governmental activities	\$ <u><u>47,774,756</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, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>Capital</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 18,933,534	\$ -	\$ -	\$ -	\$ 18,933,534
Real property tax items	610,534	-	-	-	610,534
Non-property taxes	714,804	-	-	-	714,804
Charges for services	383,317	-	-	-	383,317
Use of money and property	369,086	-	147,472	5,525	522,083
Sale of property and compensation for loss	38,312	-	-	-	38,312
Miscellaneous local sources	502,101	-	-	62,818	564,919
Interfund revenues	33,799	-	-	-	33,799
State sources	25,319,949	736,284	-	28,557	26,084,790
Federal sources	201,884	1,953,806	-	1,128,058	3,283,748
School lunch	-	-	-	131,373	131,373
Total revenues	<u>47,107,320</u>	<u>2,690,090</u>	<u>147,472</u>	<u>1,356,331</u>	<u>51,301,213</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,197,898	-	-	-	5,197,898
Instruction	27,234,421	2,351,272	-	-	29,585,693
Pupil transportation	1,691,515	28,426	-	-	1,719,941
School lunch	-	-	-	1,375,626	1,375,626
Employee benefits	10,029,540	340,731	-	-	10,370,271
Debt service:					
Principal	2,820,000	-	-	-	2,820,000
Interest	334,792	-	-	-	334,792
Capital outlay:					
General government	-	-	11,786,907	-	11,786,907
Total expenditures	<u>47,308,166</u>	<u>2,720,429</u>	<u>11,786,907</u>	<u>1,375,626</u>	<u>63,191,128</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, 2019**  
**(Continued)**

	<u>General</u>	<u>Special Aid</u>	<u>Capital</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	(200,846)	(30,339)	(11,639,435)	(19,295)	(11,889,915)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	746,814	30,339	100,000	-	877,153
Interfund transfers out	(130,339)	-	-	(746,814)	(877,153)
Premium on bond anticipation note	108,519	-	-	-	108,519
Total other financing sources (uses)	724,994	30,339	100,000	(746,814)	108,519
Net change in fund balances	524,148	-	(11,539,435)	(766,109)	(11,781,396)
Fund balances (deficit) - beginning	14,132,453	-	6,934,030	1,135,806	22,202,289
Fund balances (deficit) - ending	<u>\$ 14,656,601</u>	<u>\$ -</u>	<u>\$ (4,605,405)</u>	<u>\$ 369,697</u>	<u>\$ 10,420,893</u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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Net change in fund balances - total governmental funds (page 19) \$ (11,781,396)

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

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$11,899,099) exceeded depreciation (\$1,787,337) in the current period. 10,111,762

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position. (10,044)

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 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:

Repayment of serial bonds	2,820,000
Change in retirement incentive	10,584
Amortization of premium	185,134
Compensated absences	(661,185)
Retainages payable	(564,480)

Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.

Net pension - proportionate share -TRS	1,090,191
Net pension - proportionate share -ERS	(757,911)
Other postemployment benefits	23,321

Change in proportionate share of net pension and OPEB deferred inflows and outflows reported in the statement of net position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net pension - proportionate share -TRS	(686,280)
Net pension - proportionate share -ERS	634,319
Other postemployment benefits	(772,391)

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 in the governmental funds. (180,745)

Revenues that are deferred are accrued and reported in the Statement of Activities whereas on the government funds only revenues that are available to pay current obligations are reported. 11,871

Change in net position of governmental activities \$ (527,250)

**BATAVIA CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITON – FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Private Purpose Trust</b>	<b>Agency</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 716,598
Cash and cash equivalents - restricted	221,454	110,872
Restricted investments	572,286	-
Receivables	<hr/> -	<hr/> 2,839
Total assets	<hr/> 793,740	\$ <hr/> <hr/> 830,309
<b>LIABILITIES</b>		
Accounts payable	3,500	\$ -
Agency liabilities	-	719,437
Extraclassroom activity balances	<hr/> -	<hr/> 110,872
Total liabilities	<hr/> 3,500	\$ <hr/> <hr/> 830,309
<b>NET POSITION</b>		
Restricted for scholarships	\$ <hr/> <hr/> 790,240	

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITON – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Private Purpose Trust</b>
	<hr/>
<b>ADDITIONS</b>	
Interest	\$ 17,251
Gifts and donations	2,000
Net increase in fair value of investments	<hr/> 14,240
 Total additions	 33,491
<b>DEDUCTIONS</b>	
Scholarships	<hr/> 26,766
 Total deductions	 <hr/> 26,766
 Change in net position	 6,725
 Net position - beginning	 <hr/> 783,515
 Net position - ending	 \$ <hr/> <hr/> 790,240

See notes to basic financial statements.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

**1. INCLUDED IN THE REPORTING ENTITY**

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

**2. JOINT VENTURE**

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

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

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

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A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2019, the District was billed \$5,704,385 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

**B. BASIS OF PRESENTATION**

**1. DISTRICT-WIDE STATEMENTS:**

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

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

**2. FUND FINANCIAL STATEMENTS:**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) such as Federal and State grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

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

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

Additionally, the District reports the following fund types:

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



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

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

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

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

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

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

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

Property taxes associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. 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. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, a deferred inflow of resources offset real property taxes receivable. Uncollected real property taxes at June 30, 2019, are reported as taxes receivable and unearned tax revenue.

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

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

**3. INVESTMENTS**

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

**4. RECEIVABLES**

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

**5. INVENTORY AND PREPAIDS**

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

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

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

**6. INTERFUND TRANSACTIONS**

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

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

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

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

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

**7. CAPITAL ASSETS**

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

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,000	straight-line	30-40 years
Building improvements	2,000	straight-line	15-30 years
Site improvements	2,000	straight-line	15-30 years
Vehicles	2,000	straight-line	8-15 years
Furniture and equipment	2,000	straight-line	5-40 years

**8. INSURANCE**

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first 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 (asset)/liability, the difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.F. The second item is related to other postemployment benefits (OPEB) reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.G.

## BATAVIA CITY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

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In addition to liabilities, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension (asset)/liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.F. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 3.G.

#### 10. UNEARNED REVENUE

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

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

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

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

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

#### 12. VESTED EMPLOYEE BENEFITS

##### Compensated Absences

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

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

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

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

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

**13. POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits, the District provides postemployment benefits in the form of health insurance. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 3.G).

**14. SHORT TERM DEBT**

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

**15. NET POSITION FLOW ASSUMPTION**

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

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

**16. FUND BALANCE FLOW ASSUMPTIONS**

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

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

**17. FUND BALANCE POLICIES**

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

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

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

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

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**E. REVENUES AND EXPENDITURES/EXPENSES**

**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.

**F. USE OF ESTIMATES**

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

**G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended June 30, 2019, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The District has evaluated Statements No. 83 and 88 and have determined that they have no impact on the District's operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

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

**NOTE 2 –STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. LEGAL COMPLIANCE BUDGETS**

**BUDGET POLICIES**

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

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

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

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**B. DEFICIT FUND EQUITY**

At June 30, 2019, the Capital Projects Fund, a major fund, has a deficit fund balance of \$4,605,405. The deficit is the result of the issuance of bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability. Accordingly, the BANS are reported as a fund liability in the Capital Projects Fund Balance Sheet (rather than an inflow on the Statement of Revenues, Expenditures, and Changes in Fund Balances). When the cash from the BANS is spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANS.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS**

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

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

The District's aggregate bank balances were fully collateralized at June 30, 2019.

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 \$110,872 within the Agency Fund restricted for extraclassroom activities, and \$221,454 in the Private Purpose Trust Fund restricted for scholarships.

**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

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#### Custodial Credit Risk

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

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

#### B. INVESTMENTS

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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



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

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	Cost	Fair Value June 30, 2019
198 Shares Comcast Corporation	\$ -	\$ 8,330
34 Shares NCR Corporation	-	1,065
34 Shares Teradata Corporation	-	1,228
1323 Shares American Telephone and Telegraph, Inc	2,820	43,672
3527 Shares Putnam Investors Fund, Inc	27,852	84,620
68 Shares Alcatel_Lucent	1,141	-
3210 Shares Eastman Kodak	200,000	-
638 Shares Verizon	5,498	36,066
12 Shares Fair Point Communications	-	-
3579 Shares JP Morgan Chase	24,319	397,305
		<u>\$ 572,286</u>

For the year ended June 30, 2019, the District recognized a net increase in the fair value on investments of \$14,240.

**C. RECEIVABLES**

Significant revenues accrued by the District include the following:

Receivables consist of the following at June 30, 2019

General Fund:	
Taxes Receivable	\$ <u>476,830</u>
General Fund:	
Due from other governments	
BOCES Aid	\$ 1,311,424
Other	939
	<u>\$ 1,312,363</u>

State and federal aid receivable, consist of the following at June 30, 2019:

General Fund:	
State aid - excess cost aid	\$ <u>461,615</u>
Special Aid Fund:	
State awards	\$ 311,495
Federal awards	715,855
	<u>\$ 1,027,350</u>
School Lunch Fund:	
State awards	\$ 4,684
Federal awards	82,440
	<u>\$ 87,124</u>

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

**D. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,347,349	\$ -	\$ -	\$ 2,347,349
Construction work in progress	4,093,447	11,786,907	67,830	15,812,524
Total capital assets not being depreciated	<u>6,440,796</u>	<u>11,786,907</u>	<u>67,830</u>	<u>18,159,873</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	60,184,910	72,320	-	60,257,230
Vehicles & equipment	12,863,928	107,702	53,949	12,917,681
Total capital assets, being depreciated	<u>73,048,838</u>	<u>180,022</u>	<u>53,949</u>	<u>73,174,911</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	25,592,807	1,252,023	-	26,844,830
Vehicles & equipment	10,365,367	535,314	43,905	10,856,776
Total accumulated depreciation	<u>35,958,174</u>	<u>1,787,337</u>	<u>43,905</u>	<u>37,701,606</u>
Total capital assets being depreciated, net	<u>37,090,664</u>	<u>(1,607,315)</u>	<u>10,044</u>	<u>35,473,305</u>
Governmental activities capital assets, net	<u>\$ 43,531,460</u>	<u>\$ 10,179,592</u>	<u>\$ 77,874</u>	<u>\$ 53,633,178</u>

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

**E. ACCRUED LIABILITIES**

Accrued liabilities reported by the District at June 30, 2019, were as follows:

	General Fund	Special Aid Fund	School Lunch Fund
Salary and employee benefits	\$ 519,529	\$ 17,160	\$ 4,362
Accrued vacation	263,211	-	8,712
Total accrued liabilities	<u>\$ 782,740</u>	<u>\$ 17,160</u>	<u>\$ 13,074</u>

**F. 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.

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

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

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diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 31<sup>st</sup>.

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

At June 30, 2019, the District reported the following amount for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2018, for TRS and March 31, 2019, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Net pension (asset)/liability	\$ (1,885,745)	\$ 1,377,037
District's portion of the Plan's total net pension liability	0.104285%	0.019435%
Change in proportion since the prior measurement date	0.000379	0.000252

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

For the year ended June 30, 2019, the District's recognized pension expense of \$1,456,561 for TRS and \$962,338 for ERS, respectively. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,409,202	\$ 271,167	\$ 255,261	\$ 92,438
Change of assumptions	6,591,917	346,131	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	2,093,322	353,424
Changes in proportion and differences between the District's contributions and proportionate share of contributions	144,273	152,709	192,044	1,049
District's contributions subsequent to the measurement date	<u>1,872,933</u>	<u>228,208</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,018,325</u>	<u>\$ 998,215</u>	<u>\$ 2,540,627</u>	<u>\$ 446,911</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>TRS</u>	<u>ERS</u>
Year ended:		
2020	\$ 1,883,187	\$ 338,479
2021	1,276,340	(229,813)
2022	128,379	11,986
2023	1,271,897	202,444
2024	840,531	-
Thereafter	204,432	-

**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:

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90% - 4.72%	4.20%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.25%	2.50%
Cost of living adjustments	1.50%	1.30%

For TRS, the actuarial assumptions used in the June 30, 2018, 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, 2018, 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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2018 TRS	March 31, 2019 ERS
<b><u>Asset Class:</u></b>				
Domestic equity	33.0 %	36.0 %	5.8 %	4.6 %
International equity	16.0	14.0	7.3	6.4
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Global equities	4.0	-	6.7	-
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	7.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.3	(0.3)
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.8	-
High yield income securities	1.0	-	3.5	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 12,955,378	\$ (1,855,745)	\$ (14,318,482)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 6,020,626	\$ 1,377,037	\$ (2,523,907)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2018	March 31, 2018
Employer' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan net position	119,915,518	182,718,124
Employers' net pension (asset)/liability	\$ <u>(1,808,264)</u>	\$ <u>7,085,305</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-101.5%	96.3%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019, through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amounted to \$2,022,468.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$228,208.

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

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**G. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS**

Plan Description

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

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Employees Covered by Benefit Terms

As of June 30, 2019, the following employees were covered by the benefit terms:

Active plan members	435
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plan members or beneficiaries currently receiving benefits	<u>112</u>
Total	<u><u>547</u></u>

The District's total OPEB liability of \$4,267,340 was measured as of July 1, 2017, using updated procedures to roll forward the total OPEB actuarial valuation from June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation	3.00%
Salary Increases	3.00%, average, including inflation
Discount Rate	3.50%
Healthcare Cost Trend Rates	7.5% in 2018, with an ultimate rate of 4.5% in 2023
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of July 1, 2019.

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

Retirement and termination assumptions reflect general published tables based on large scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed and the base table is adjusted accordingly, as necessary. No formal experience study is prepared for this plan. Mortality based tables are used without adjustment since the plan's mortality experience is too small to generate a credible adjustment.

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

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$	4,290,661
<u>Changes for the year:</u>		
Service cost		225,001
Interest		132,450
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		(177,993)
Benefit payments		(202,779)
Net changes		(23,321)
Balance at June 30, 2019	\$	<u>4,267,340</u>

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

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ <u>4,630,238</u>	\$ <u>4,267,340</u>	\$ <u>3,932,155</u>

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

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

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB Liability	\$ <u>3,724,431</u>	\$ <u>4,267,340</u>	\$ <u>4,918,895</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$346,403. At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	8,003
Changes in assumptions	-	153,940
Total	\$ <u>-</u>	\$ <u>161,943</u>



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

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ (24,815)
2021	(24,815)
2022	(24,815)
2023	(24,815)
2024	(24,815)
Thereafter	(37,868)

**H. SHORT-TERM DEBT**

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

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2019:

<u>Description</u>	<u>Balance 07/01/18</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 06/30/19</u>
Governmental activities:				
BAN maturing 12/18/19 at 3.25%	-	9,750,000	-	9,750,000

**I. LONG-TERM LIABILITIES**

**1. GENERAL OBLIGATION BONDS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

**2. SERIAL BONDS**

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

The following is a summary of maturities of indebtedness:

	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 6/30/2019</u>
Governmental activities:					
2016 Refunding Serial Bonds	11/22/2016	6,570,000	6/15/2025	1.00-2.00%	4,540,000
Technology Project and capital project	1/26/2017	4,252,321	12/15/2030	2.00-3.00%	3,745,000
					\$ <u>8,285,000</u>

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

3. 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.F.) and other postemployment benefits (See Note 3.G.).

4. CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2019, are as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Government activities:					
Bonds Payable:					
Serial Bonds	\$ 11,105,000	\$ -	\$ 2,820,000	\$ 8,285,000	\$ 1,465,000
Unamortized premium	446,067	-	185,134	260,933	84,527
Total bonds payable	11,551,067	-	3,005,134	8,545,933	1,549,527
Other liabilities					
Compensated absences	10,515,852	1,956,193	1,295,008	11,177,037	558,852
Net pension liability					
(ERS)-Proportionate Share*	619,126	757,911	-	1,377,037	-
Total OPEB liability	4,290,661	179,458	202,779	4,267,340	-
Retirement incentive	663,066	317,225	298,696	681,595	318,746 **
Total long-term liabilities	\$ 27,639,772	\$ 3,210,787	\$ 4,801,617	\$ 26,048,942	\$ 2,427,125

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

\*\*The current amount is included in accrued liabilities

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations.

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

Fiscal Year	Principal	Interest	Premium
2020	1,465,000	227,194	84,527
2021	1,525,000	174,044	84,527
2022	1,515,000	118,544	44,457
2023	580,000	88,244	15,836
2024	590,000	76,410	7,488
2025-2029	1,570,000	192,683	20,412
2030-2031	1,040,000	46,369	3,686
Total	\$ 8,285,000	\$ 923,488	\$ 260,933

As of June 30, 2019, the District had \$18,518,813 authorized but unissued serial bonds in connection with their 2020 Vision Capital Project.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$4,675,000 of bonds outstanding are considered defeased.

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

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**J. INTERFUND ACTIVITY**

Interfund activity at June 30, 2019, are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 922,338	\$ -	\$ 746,814	\$ 130,339
Capital Projects Fund	-	-	100,000	-
Special Aid Fund	-	922,338	30,339	-
Debt Service Fund	-	-	-	746,814
Total	<u>\$ 922,338</u>	<u>\$ 922,338</u>	<u>\$ 877,153</u>	<u>\$ 877,153</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 the General Fund on behalf of the Special Aid Fund not transferred before the end of the year.

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

**K. NET POSITION AND FUND BALANCE**

**1. NET POSITION**

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

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

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2019.

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

**2. FUND BALANCE**

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

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2019, include:

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

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

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

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2019, the District had no committed fund balances.

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

- *Assigned to specific use – Represents fund balance within the special revenue funds that is assigned or a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.*
- *Assigned to subsequent year's expenditure – represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.*

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

As of June 30, 2019, fund balances were classified as follows:

	General	Capital	Nonmajor Funds	Total
<u>Nonspendable:</u>				
Inventory	\$ -	\$ -	\$ 20,039	\$ 20,039
Prepays	97,426	-	-	97,426
<u>Restricted:</u>				
Debt	108,519	-	-	108,519
Capital	1,809,273	-	-	1,809,273
Repairs	173,781	-	-	173,781
Retirement	3,010,299	-	-	3,010,299
Unemployment insurance	438,471	-	-	438,471
Employee benefit and accrued liability	4,179,952	-	-	4,179,952
<u>Assigned:</u>				
Subsequent years' expenditures	2,000,000	-	-	2,000,000
Debt service	-	-	4,345	4,345
School lunch	-	-	345,313	345,313
<u>Encumbrances:</u>				
General support	164,247	-	-	164,247
Instruction	653,887	-	-	653,887
<u>Unassigned:</u>				
General	2,020,746	-	-	2,020,746
Capital	-	(4,605,405)	-	(4,605,405)
Total	\$ 14,656,601	\$ (4,605,405)	\$ 369,697	\$ 10,420,893

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**

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**NOTE 4 - RISK MANAGEMENT**

**A. GENERAL**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

**B. WORKERS' COMPENSATION PLAN**

**Genesee County Plan**

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

The District is one of over 45 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing to participate in the Plan on or before July 15<sup>th</sup>. Voluntary withdrawal from the Plan is effective once annually. Withdrawal from the Plan is effective at the end of the current operating year, upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan before July 15<sup>th</sup>. Upon withdrawal, the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based upon claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations. The Plan has established reserve liabilities which provide for current claim expenses. At June 30, 2019, 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, 2018, the Plan had an unfunded liability of \$185,567.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**A. GRANT AWARDS**

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

**B. CONSTRUCTION COMMITMENTS**

The District has active construction projects as of June 30, 2019. Outstanding construction commitments are estimated at \$15,893,785.

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

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**C. 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 \$818,134 recorded in the General Fund.

**NOTE 6 - TAX ABATEMENTS**

The Genesee County Industrial Development Agency d/b/a Genesee County Economic Development Center (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has twenty-nine 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, 2019, the District's total tax revenues were reduced by \$1,384,258.

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

**NOTE 7 - SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after October 8, 2019, which is the date these financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**BATAVIA CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES				
Local sources:				
Real property taxes	\$ 18,945,404	\$ 18,945,404	\$ 18,933,534	\$ (11,870)
Real property tax items	589,219	589,219	610,534	21,315
Non-property tax items	675,000	675,000	714,804	39,804
Charges for services	171,000	171,000	383,317	212,317
Use of money and property	142,800	142,800	369,086	226,286
Sale of property and compensation for loss	15,750	15,750	38,312	22,562
Miscellaneous local sources	300,000	300,000	502,101	202,101
Interfund revenues	-	-	33,799	33,799
State sources:				
Basic formula, excess cost and lottery aid	24,555,954	24,555,954	22,056,149	(2,499,805)
BOCES	2,775,000	2,775,000	2,883,300	108,300
Other	252,414	252,414	380,500	128,086
Federal sources	40,000	40,000	201,884	161,884
Total revenues	48,462,541	48,462,541	47,107,320	(1,355,221)
Other sources:				
Interfund transfers in	746,814	746,814	746,814	-
Premium on bond anticipation note	-	-	108,519	
Appropriated from reserves	979,797	979,797	-	(979,797)
Appropriated fund balance	2,000,000	2,706,820	-	(2,706,820)
Total revenues and other sources	\$ 52,189,152	\$ 52,895,972	\$ 47,962,653	\$ (5,041,838)

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

**BATAVIA CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES					
General support:					
Board of education	\$ 11,923	\$ 20,062	\$ 13,531	\$ -	\$ 6,531
Central administration	308,840	466,409	443,652	-	22,757
Finance	694,729	674,699	574,213	23,880	76,606
Staff	267,155	475,073	446,194	-	28,879
Central services	5,502,373	3,532,012	2,919,397	140,367	472,248
Special items	827,169	811,699	800,911	-	10,788
Instruction:					
Instruction, administration and improvements	1,786,938	1,784,341	1,570,128	5,741	208,472
Teaching - regular school	14,673,900	15,221,597	14,518,280	185,072	518,245
Programs for children with handicaps	5,642,503	5,418,537	5,006,652	260,845	151,040
Occupational education	1,103,000	1,115,200	1,115,056	-	144
Instructional media	2,777,873	3,305,846	2,944,766	174,484	186,596
Pupil services	2,226,966	2,208,987	2,079,539	27,745	101,703
Transportation	1,845,199	1,958,864	1,691,515	-	267,349
Employee benefits	11,230,792	10,479,461	10,029,540	-	449,921
Debt Service:					
Principal	2,820,000	2,820,000	2,820,000	-	-
Interest	334,792	334,792	334,792	-	-
Total expenditures	<u>52,054,152</u>	<u>50,627,579</u>	<u>47,308,166</u>	<u>818,134</u>	<u>2,501,279</u>
Other uses:					
Interfund transfers out	<u>135,000</u>	<u>2,268,393</u>	<u>130,339</u>	<u>-</u>	<u>2,138,054</u>
Total expenditures and other uses	<u>\$ 52,189,152</u>	<u>\$ 52,895,972</u>	<u>47,438,505</u>	<u>\$ 818,134</u>	<u>\$ 4,639,333</u>
Net change in fund balance			<u>\$ 524,148</u>		

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

**BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB RELATED LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018</u>	<u>2019</u>
Measurement Date	June, 30, 2018	June, 30, 2019
<b>Total OPEB Liability</b>		
Service cost	\$ 218,448	\$ 225,001
Interest	128,717	132,450
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(9,527)	-
Changes of assumptions or other inputs	-	(177,993)
Benefit payments	<u>(236,470)</u>	<u>(202,779)</u>
Net change in total OPEB liability	101,168	(23,321)
Total OPEB liability - beginning	<u>4,189,493</u>	<u>4,290,661</u>
Total OPEB liability - ending	<u><u>4,290,661</u></u>	<u><u>\$ 4,267,340</u></u>
Covered-employee payroll	\$ 21,752,381	\$ 21,752,381
Total OPEB liability as a percentage of covered-employee payroll	19.73%	19.62%

\*This schedule is intended to show information for ten years. Since 2018 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Teachers' Retirement System (TRS)</b>				
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension (asset) liability	0.104113%	0.101061%	0.104664%	0.104285%
District's proportionate share of the net pension (asset) liability	\$ <u>(10,813,982)</u>	\$ <u>1,082,403</u>	\$ <u>(795,554)</u>	\$ <u>(1,885,745)</u>
District's covered payroll	\$ 15,639,127	\$ 15,994,698	\$ 16,589,511	\$ 17,122,786
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-69%	7%	-5%	-11%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-110.5%	99.1%	-100.7%	-101.5%
<b>Employees' Retirement System (ERS)</b>				
Measurement date	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
District's proportion of the net pension liability	.018027%	0.017963%	0.019183%	0.019435%
District's proportionate share of the net pension liability	\$ <u>2,893,420</u>	\$ <u>1,687,823</u>	\$ <u>619,126</u>	\$ <u>1,377,037</u>
District's covered payroll	\$ 4,724,444	\$ 5,554,242	\$ 5,464,998	\$ 5,799,695
District's proportionate share of the net pension liability as a percentage of its covered payroll	61%	30%	11%	24%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	94.7%	98.2%	96.3%

\*This schedule is intended to show information for ten years. Since 2016 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

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

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

	<b>TEACHERS' RETIREMENT SYSTEM</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,010,874	\$ 1,481,972	\$ 1,693,204	\$ 1,770,476	\$ 2,496,415	\$ 2,741,538	\$ 2,067,856	\$ 1,944,291	\$ 1,678,033	\$ 1,664,710
Contributions in relation to the contractually required contribution	<u>1,010,874</u>	<u>1,481,972</u>	<u>1,693,204</u>	<u>1,770,476</u>	<u>2,496,415</u>	<u>2,741,538</u>	<u>2,067,856</u>	<u>1,944,291</u>	<u>1,678,033</u>	<u>1,664,710</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	16,198,734	16,042,834	15,455,312	15,177,045	15,590,337	15,639,127	15,994,698	16,589,511	17,122,786	17,996,304
Contributions as a percentage of covered payroll	6%	9%	11%	12%	16%	18%	13%	12%	10%	9%
	<b>EMPLOYEES' RETIREMENT SYSTEM</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 364,020	\$ 528,306	\$ 854,687	\$ 916,569	\$ 831,445	\$ 822,252	\$ 798,069	\$ 729,110	\$ 793,583	\$ 831,759
Contributions in relation to the contractually required contribution	<u>364,020</u>	<u>528,306</u>	<u>854,687</u>	<u>916,569</u>	<u>831,445</u>	<u>822,252</u>	<u>798,069</u>	<u>729,110</u>	<u>793,583</u>	<u>831,759</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	5,156,950	4,871,569	4,790,982	4,981,584	4,471,525	4,554,634	4,724,444	5,554,242	5,908,717	5,990,622
Contributions as a percentage of covered payroll	7%	11%	18%	18%	19%	18%	17%	13%	13%	14%

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

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

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**NOTE 1 – BUDGETARY INFORMATION**

**BUDGETARY BASIS OF ACCOUNTING**

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019, and therefore, is the only fund presented in the Budgetary Comparison Schedule.

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

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

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

**NOTE 2 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS**

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.50% in 2019 and changes in the inflation rate from 2.60% to 3.00% in 2019.

The District's Proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invest in. In addition, the discount factor has varied from 7.5% to 7.0% over the past four years.

## **SUPPLEMENTARY INFORMATION**

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**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>School Lunch</b>	<b>Debt Service</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 285,432	\$ 4,345	\$ 289,777
State and federal aid receivable	87,124	-	87,124
Receivables	2,887	-	2,887
Inventory	20,039	-	20,039
Total assets	\$ 395,482	\$ 4,345	\$ 399,827
<b>LIABILITIES</b>			
Accounts payable	170	-	170
Accrued liabilities	13,074	-	13,074
Due to other governments	1,116	-	1,116
Unearned revenue	598	-	598
Due to retirement systems	15,172	-	15,172
Total liabilities	30,130	-	30,130
<b>FUND BALANCES</b>			
Nonspendable	20,039	-	20,039
Assigned	345,313	4,345	349,658
Total fund balances	365,352	4,345	369,697
Total liabilities and fund balances	\$ 395,482	\$ 4,345	\$ 399,827

**BATAVIA CITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>School Lunch</b>	<b>Debt Service</b>	<b>Total</b>
<b>REVENUES</b>			
Use of money and property	\$ 1,180	\$ 4,345	\$ 5,525
Miscellaneous local sources	62,818	-	62,818
State sources	28,557	-	28,557
Federal sources	1,128,058	-	1,128,058
School lunch	131,373	-	131,373
Total revenues	1,351,986	4,345	1,356,331
<b>EXPENDITURES</b>			
Current:			
School lunch	1,375,626	-	1,375,626
Total expenditures	1,375,626	-	1,375,626
Excess (deficit) of revenues over expenditures	(23,640)	4,345	(19,295)
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers out	-	(746,814)	(746,814)
Total other financing sources (uses)	-	(746,814)	(746,814)
Net change in fund balances	(23,640)	(742,469)	(766,109)
Net position - beginning of year	388,992	746,814	1,135,806
Net position - end of year	\$ 365,352	\$ 4,345	\$ 369,697

**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, 2019**

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Adopted Budget	\$	52,189,152
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Additions:

Encumbrances from prior year		<u>706,820</u>
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Final Budget	\$	<u><u>52,895,972</u></u>
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SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 expenditure budget	\$	50,518,573
Maximum allowed		2,020,743

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

Unrestricted fund balance:

Assigned fund balance	2,818,134
Unassigned fund balance	<u>2,020,746</u>
Total unrestricted fund balance	<u><u>4,838,880</u></u>

Less:

Appropriated fund balance	2,000,000
Encumbrances included in assigned fund balance	<u>818,134</u>
Total adjustments	<u><u>2,818,134</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	<u><u>2,020,746</u></u>
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Actual percentage	4.00%
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**BATAVIA CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND  
FOR THE YEAR ENDING JUNE 30, 2019**

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<u>Project Title</u>	<u>Original Appropriations</u>	<u>Revised Appropriations</u>	<u>Capital Expenditures</u>			<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>Methods of Financing</u>			<u>Fund Balance 06/30/19</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>			<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	
2018/2019 Capital Outlay Project	\$ 100,000	\$ 100,000	\$ -	\$ 67,830	\$ 67,830	\$ 32,170	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 32,170
Smart Schools	2,133,393	2,133,393	89,619	50,984	140,603	1,992,790	-	-	-	-	(140,603)
2020 Vision Project	<u>26,768,813</u>	<u>26,768,813</u>	<u>1,231,895</u>	<u>11,668,093</u>	<u>12,899,988</u>	<u>13,868,825</u>	<u>-</u>	<u>-</u>	<u>8,403,016</u>	<u>8,403,016</u>	<u>(4,496,972)</u>
Total	<u>\$ 29,002,206</u>	<u>\$ 29,002,206</u>	<u>\$ 1,321,514</u>	<u>\$ 11,786,907</u>	<u>\$ 13,108,421</u>	<u>\$ 15,893,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,503,016</u>	<u>\$ 8,503,016</u>	<u>\$ (4,605,405)</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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Capital assets, net	\$	53,633,178
Deduct:		
Bonds payable		(8,285,000)
Unamortized premium		(260,933)
Bond anticipation notes payable		<u>(9,750,000)</u>
Net investment in capital assets	\$	<u><u>35,337,245</u></u>

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## **INTERNAL CONTROL AND COMPLIANCE**

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
October 8, 2019

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SINGLE AUDIT REPORT

# **BATAVIA CITY SCHOOL DISTRICT**

BATAVIA, NEW YORK

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JUNE 30, 2019

**BATAVIA CITY SCHOOL DISTRICT**  
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited Batavia City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards 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, 2019.

## Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and have issued our report thereon dated October 8, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as whole.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
October 8, 2019

**BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>				
<b><i>Passed through NYS Bureau of School Food Management:</i></b>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	180300010000	\$ -	\$ 237,178
National School Lunch Program	10.555	180300010000	-	792,284
National School Snack Program	10.555	180300010000	-	4,863
National School Lunch Program - Food Distribution	10.555	180300010000	-	69,516
Summer Food Service Program for Children (SFSPC)	10.559	180300010000	-	24,217
<i>Total Child Nutrition Cluster</i>			-	1,128,058
<b>Total U.S. Department of Agriculture</b>			-	1,128,058
<b><u>U.S. Department of Education</u></b>				
<b><i>Passed through the State Education Department of the State of New York:</i></b>				
Title I Grants to Local Educational Agencies	84.010	0021-19-1000	-	730,768
Title I Grants to Local Educational Agencies	84.010	0021-18-1000	-	221,747
Title I Grants School Improvement	84.010	0011-18-2212	-	5,000
<i>Total Title I Grants</i>			-	957,515
<i>Special Education Cluster:</i>				
IDEA Part B - Section 611	84.027	0032-19-0276	-	645,414
IDEA - Section 619	84.173	0033-19-0276	-	56,442
<i>Total Special Education Cluster</i>			-	701,856
Title V - Rural and Low Income Schools	84.358	0006-19-1000	-	22,909
Title IIB - Math/Science Partnership	84.366	0294-19-0302	-	112,520
Title IIA - Supporting Effective Instruction State Grant	84.367	0147-19-1000	-	131,985
Title IIA - Supporting Effective Instruction State Grant	84.367	0147-18-1000	-	17,550
<i>Total Title IIA Grants</i>			-	149,535
Title IV - Student Support and Academic Enrichment Program	84.424	0204-19-1000	-	9,470
<b>Total U.S Department of Education</b>			-	1,953,805
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ -	\$ 3,081,863

See notes to the schedule of expenditures of federal awards.



**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

**NOTE 3 - INDIRECT COST**

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

**BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

***Financial Statements***

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

Unmodified

Internal control over financial reporting:

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

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

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

Unmodified

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

                     yes       X       no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553/10.555/10.559

Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

      X       yes                      no

**II. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the fiscal year ended June 30, 2019.

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

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2019.

**BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**I. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the fiscal year ended June 30, 2018.

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

**2018-001      Policy Updates for Uniform Guidance**

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

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

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

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

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

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

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

*Status of finding:* No longer a finding for the year ended June 30, 2019.

**AUDITED  
EXTRACLASROOM ACTIVITY FINANCIAL STATEMENTS**

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

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**JUNE 30, 2019**

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

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

**Report on the Financial Statements**

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2019, and the related note to the financial statement.

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts, disbursements and changes in cash basis net position of the Extraclassroom Activity Funds of the District for the year ended June 30, 2019, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

## **Basis of Accounting**

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
October 8, 2019

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS**  
**NET ASSETS OF THE EXTRACLASROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Balance July 1, 2018	Cash Receipts	Cash Disbursements	Balance June 30, 2019
Petty Cash	\$ 2,336	\$ 367	\$ 178	\$ 2,525
JK Student Council	3,228	876	575	3,529
JK Media	1,653	4,450	5,218	885
BMS Student Council	4,645	100	210	4,535
BMS Jr National Honor Society	675	770	355	1,090
BMS Yearbook	15,943	3,138	2,272	16,809
BMS A.H.E.A.D.	24	102	73	53
Outdoor Club	925	942	1,009	858
BMS Drama	779	697	618	858
Page Turners	328	-	-	328
BMS 5th Grade	2,215	11,958	9,453	4,720
BMS 6th Grade	3,191	19,676	20,830	2,037
7th Grade-Blue-Team 2	9,270	15,312	17,097	7,485
BMS 8th Grade	1,586	6,388	6,437	1,537
BMS Ski Club	966	11,014	11,100	880
Batavian	6,530	12,120	12,130	6,520
BHS Student Government	13,552	11,421	16,461	8,512
BHS Literary	51	-	-	51
HS National Honor Society	346	1,702	1,705	343
S.A.D.D./A.T.O.P.	29	2,228	1,704	553
Art Club	343	355	354	344
BHS Drama	5,144	2,604	1,491	6,257
BHS Production	18,972	8,402	8,017	19,357
Zonta Club	1,387	2,543	1,825	2,105
TRI-M	-	2,790	873	1,917
BHS Ski Club	-	10	-	10
Class of 2019	14,334	13,679	27,507	506
Class of 2020	7,345	12,496	7,683	12,158
Class of 2021	1,446	3,815	2,481	2,780
Class of 2022	-	3,007	2,098	909
NYS Sales Tax	305	3,482	3,366	421
	<u>\$ 117,548</u>	<u>\$ 156,444</u>	<u>\$ 163,120</u>	<u>\$ 110,872</u>



**BATAVIA CITY SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUNDS  
NOTE TO FINANCIAL STATEMENT**

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**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, 2019.

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.