

**BATAVIA CITY SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2003**

**BATAVIA CITY SCHOOL DISTRICT**

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



**Report of Independent Accountants**

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

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2003 as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Batavia, New York  
August 29, 2003

*Freed Maxick & Battaglia PC*



## **Management Discussion and Analysis**

### **Batavia City School District**

### **Fiscal Year ended June 30, 2003**

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, 2003. Please read it in conjunction with the District's financial statements, which immediately follow this section.

#### **Financial Highlights**

Key Financial Highlights for fiscal year 2003 are as follows:

- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 2% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$658,936, and this amount was within the statutory limit.
- The District refinanced all outstanding serial bonds during the year.
- General Fund revenues which include Federal and State Aid and Real Property Taxes accounted for \$32,222,447 or 85.8% of all revenues. Revenues directly related to programs in the form of Charges for Services, Operating Grants and Operating Contributions amounted to \$10,260,081 or 27.3% of revenues.
- The District began funding its retiree health insurance liability for current employees and has transferred \$275,000 to a reserve.
- The District has fully funded its estimated claims for its self-insured health plan. The plan will be replaced in the next year with a traditional health insurance plan.
- The District had expenditures of \$15,528,516 in two capital projects during the year. This represents a significant portion of the voter authorized amounts for each project.

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

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

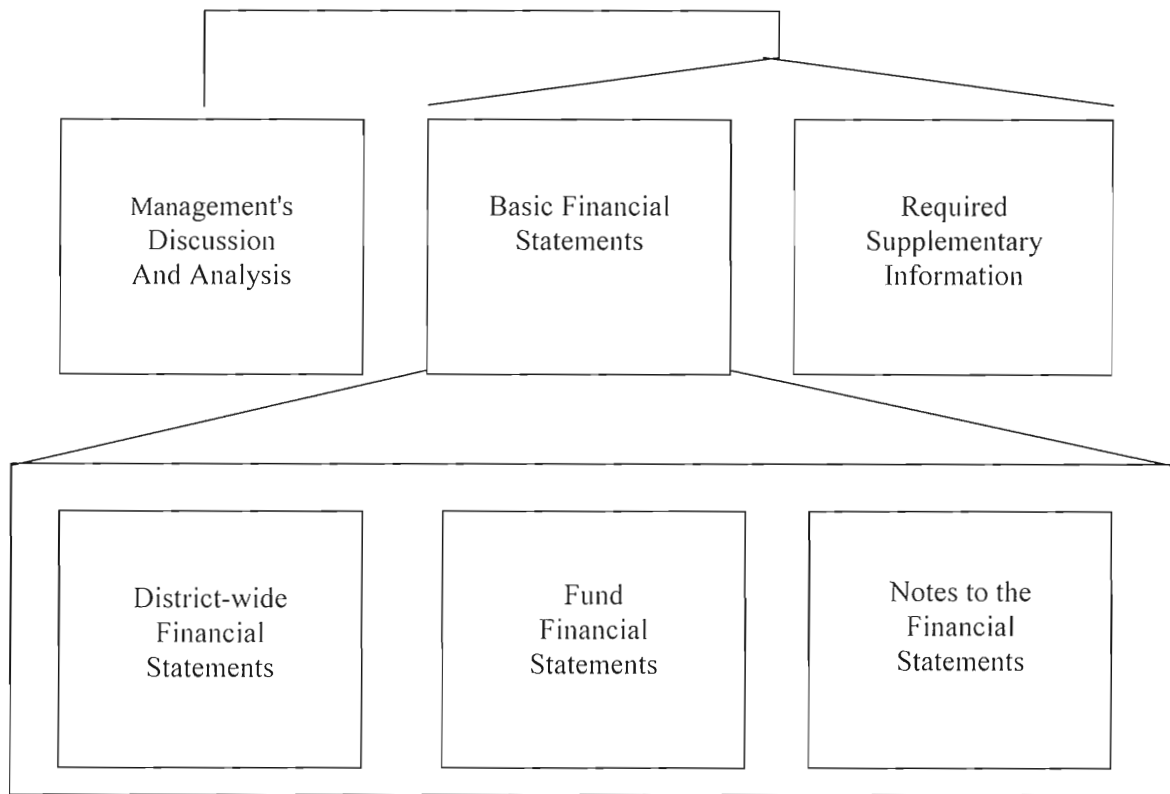


- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations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

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

**Figure A-1**

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



**Figure A-2*****Major Features of the District-wide and Fund Financial Statements***

		Fund Financial Statements	
	District-wide Statements	Government Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</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 Fiduciary Net Assets</li> <li>• Statement Changes in Fiduciary Net Assets</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 and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenditures during 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

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.

**District-wide Statements**

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District as a Whole**

By far, the largest component of the District's net assets (16.8%) reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital 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, restricted net assets

of \$3,689,000 constitute 7.2% of total assets and undesignated net assets of \$4,293,000, may be used to finance future operations.

**Figure A-3**

**Condensed Statement of Net Assets**

(in thousands of dollars)

	Governmental Activities and Total District	
	2003	2002
Current and other assets	\$ 23,425	\$ 18,746
Capital assets, net	27,564	11,936
Total assets	<u>\$ 50,989</u>	<u>\$ 30,682</u>
Long-term liabilities	\$ 29,020	\$ 18,309
Other liabilities	22,315	12,536
Total liabilities	<u>51,335</u>	<u>30,845</u>
Invested in capital assets net of related debt	3,238	(7,264)
Restricted	3,689	5,563
Undesignated	(7,273)	1,538
Total net assets	<u>\$ (346)</u>	<u>\$ (163)</u>
Total liabilities and and net assets	<u>\$ 50,989</u>	<u>\$ 30,682</u>

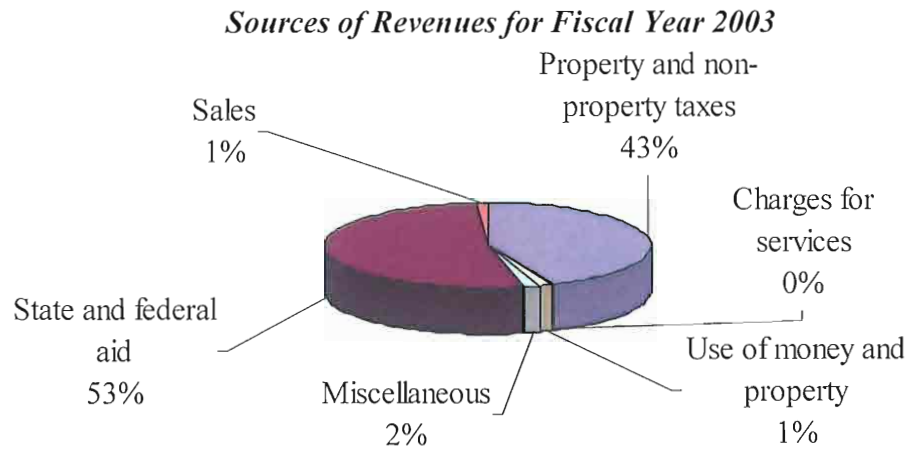
With the implementation of GASB Statement No. 34, the District calculated and recorded a liability for compensated absences in its government-wide financial statements. In previous years, the District had not recorded a liability for these benefits beyond those compensated absences that had been converted to health insurance credits by retirees. The District's liability for compensated absences for their active employees at June 30, 2003 amounted to \$7,168,114, while retiree health insurance credits amounted to \$2,823,282. The deficit undesignated fund balance noted above is a direct result of the accrual of the liability for compensated absences.

**Figure A-4**

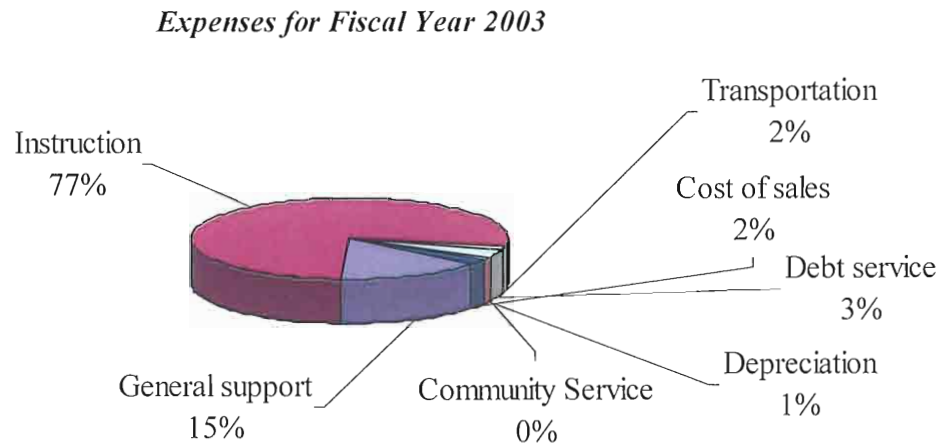
***Changes in Net Assets from Operating Results***  
***(in thousands of dollars)***

	Governmental Activities and Total District	
	2003	2002
<b>Revenue</b>		
Property and non-property taxes	\$ 16,242	\$ 15,098
Charges for services	127	124
Use of money and property	397	428
Miscellaneous	623	466
State and federal aid	19,707	19,556
Sales	456	456
Total revenue	<u>37,552</u>	<u>36,128</u>
<b>Expenses</b>		
General support	5,599	5,043
Instruction	29,007	26,561
Transportation	637	774
Debt service	1,110	479
Community Service	17	13
Depreciation	457	300
Cost of sales	907	921
Total expenses	<u>37,734</u>	<u>34,091</u>
Net increase (decrease) in net assets	<u>\$ (182)</u>	<u>\$ 2,037</u>

**Figure A-5**



**Figure A-6**



## Governmental Activities

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

**Figure A-7**

### *Sources of Revenues for Fiscal Year 2003*

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

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
General support	\$ 5,599	\$ 5,043	\$ 5,173	\$ 4,592
Instruction	29,007	26,561	20,839	19,094
Transportation	637	774	172	340
Debt service	1,110	479	276	(1,560)
Community Service	17	13	17	13
Depreciation	457	300	457	300
Cost of sales	907	921	(43)	(20)
Total	<u>\$ 37,734</u>	<u>\$ 34,091</u>	<u>\$ 26,891</u>	<u>\$ 22,759</u>

The District relies on both real property taxes and state aid to finance the majority of its operations. The state aid that the District receives cannot be completely allocated to the individual categories. Comparisons from year to year fluctuate with the formulas the State uses to distribute aid. In 2002, the aid was consolidated into fewer categories. The effect of properly and consistently allocating the state aid revenue makes comparisons difficult.

### **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 budget.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$718,438. Included in this amount is a negative \$8,770,871 due to the status of a current capital fund project for which revenue has yet to be realized. Once the project has moved from short-term financing to long-term financing, then the revenue will be realized. All other components have a combined fund balance of \$9,489,309. Of this amount, \$3,195,284 constitutes unreserved fund balance, of which \$955,000 has been designated for subsequent year's expenditures and represents the amount estimated for use in the 2003-04 budget. The balance of \$2,240,284 is primarily for spending of unbudgeted ordinary contingent expenditures and extraordinary items related to the health and safety of the students. The remainder of the fund balance, \$6,294,025, is reserved to indicate that it is not available for new spending because it has already been committed. These reserves have been established in accordance with New York State educational law and their use is restricted for the intended purpose. The District's reserves include: a reserve for encumbrances of \$629,707, a reserve for certiorari proceedings of \$243,407, a reserve for unemployment insurance of \$735,835, a reserve for employee benefits accrued liability of \$275,000, a reserve for flex spending of \$4,959, a capital projects reserve of \$715,716 and a reserve for debt service of \$3,689,401.

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 \$4,107,412, of which \$658,636 or 1.99% 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 2% 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 \$550,561.



**Figure A-8**

<b>Revenues, Expenditures and Changes in Fund Equity - Governmental Funds</b> <i>(in thousands of dollars)</i>			
	<b>2003</b>		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 32,497	\$ 31,947	\$ 4,107
Special Aid Fund	2,400	2,400	-
School Lunch Fund	959	907	225
School Library	1,006	945	294
Capital Fund	19,995	25,656	(7,598)
Debt Service Fund	10,733	10,441	3,689
	<b>2002</b>		
	<u>Revenue</u>	<u>Expenditures</u>	<u>Fund Equity</u>
General Fund	\$ 29,942	\$ 29,872	\$ 3,557
Special Aid Fund	2,114	2,114	-
School Lunch Fund	953	921	173
Public Library	943	903	233
Capital Fund	-	2,329	(1,937)
Debt Service Fund	2,507	2,217	3,397

### **General Fund Budgetary Highlights**

The difference between the original budget and the amended budget was \$331,717. This change is attributable to additional encumbrances for various uses throughout the 2002-03 School Year.

The District expended the majority of its amended budget. By doing this, the District was able to maintain its tax certiorari reserve, fully fund its self-insured healthcare plan and started funding its reserve for employee benefits accrued liability for current employees.

Conservative estimates in state aid based on the uncertainty at state the level allowed the District to receive an additional \$1,039,000 in revenue.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2003 the District had approximately \$27,564,000, net of accumulated depreciation, invested in a broad range of capital assets including Land, Work in Progress, Buildings and Improvements, and Machinery and Equipment. The change in Capital Assets, net of accumulated depreciation, is reflected below.

***Figure A-9***

#### ***Capital Assets Net of Depreciation (in thousands of dollars)***

	Governmental Activities and Total District	
	2003	2002
Land	\$ 900	\$ 900
Buildings	25,432	9,767
Equipment	1,168	1,209
Vehicles	64	60
Total	\$ 27,564	\$ 11,936

The primary increase in capital assets during the fiscal year results from the District's major capital projects to John Kennedy Elementary School and to Batavia High School. Currently, these two projects total approximately \$28.7 million for general renovation.

Presently the Batavia City School District maintains an A3 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.

## Long-Term Debt

At June 30, 2003, the District had approximately \$29,295,000 in general obligations and other long-term debt outstanding, as follows:

*Figure A-10*

<i>Outstanding Long-Term Debt</i> <i>(in thousands of dollars)</i>		
	Governmental Activities and Total District	
	2003	2002
General obligation bonds & notes (financed with property taxes)	\$ 19,105	\$ 8,700
Other general obligation debt	10,190	9,609
Total	\$ 29,295	\$ 18,309

During the year, the District issued two serial bonds. One was for debt refinancing and the other was for the John Kennedy Elementary School Capital Project.

More detailed information about the District's long term debt 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 Retirement System, beginning with that due in December 2003 will be 4.5% of eligible payroll. The New York State Retirement System has also informed the participating employer that the rate in effect for the December 2004 billing will be 11% of eligible payroll.

The New York State Teachers' Retirement System has also indicated the rate to be used to calculate the TRS expenditures for 2003-04 fiscal year will be 2.5% for eligible salaries. This rate is 2.14% higher than the 2002-03 rate of .36% of eligible salaries, therefore significantly increasing the School District's cost in the next fiscal year.

The Batavia City School District has projected the enrollment rate of its students in future years, to be stable without any significant increase or decrease.

### **Contacting the District's Financial Management**

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

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

ASSETS

Cash	\$ 18,430,235
Restricted cash	1,699,917
State and federal aid receivable	2,198,772
Taxes and accounts receivable	373,989
Due from other governments	23,156
Due from fiduciary funds	680,866
Inventory	18,667
Capital assets, net	<u>27,563,712</u>
 Total assets	 \$ <u>50,989,314</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 2,763,844
Accrued liabilities	1,058,550
Bond anticipation notes payable	17,061,905
Due to other governments	93,220
Deferred revenue	874,852
Retirement system liability	462,668
Long-term liabilities:	
Due and payable within one year:	
Serial bonds payable	1,290,000
Retirement system liability	198,441
Compensated absences	400,000
Due and payable after one year:	
Serial bonds payable	17,815,000
Compensated absences	<u>9,316,476</u>
 Total liabilities	 <u>51,334,956</u>

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**  
**(Continued)**

NET ASSETS:

Invested in capital assets, net of related debt	3,237,941
Restricted for:	
Debt service	3,689,401
Unrestricted	<u>(7,272,984)</u>
 Total net assets	 <u>(345,642)</u>
 Total liabilities and net assets	 \$ <u>50,989,314</u>

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	
Expenses				
Governmental activities:				
General support	\$ 4,801,560	\$ 797,005	\$ 79,252	\$ (5,173,451)
Instruction	22,822,627	6,184,733	47,943	(20,838,672)
Pupil transportation	628,015	9,745	-	(172,213)
Debt service	1,109,585	-	-	(276,390)
Community services	16,834	-	-	(16,834)
School lunch	813,334	93,954	455,555	42,999
Unallocated employee benefits	7,085,437	(7,085,437)	-	-
Unallocated depreciation	456,771	-	-	(456,771)
Total governmental activities	\$ 37,734,163	\$ -	\$ 582,750	(26,891,332)
General revenues:				
Property taxes				15,359,976
Non-property taxes				881,898
Interest earnings				397,079
State and federal aid not restricted for a specific purpose				9,447,456
Other miscellaneous revenues				622,601
Total general revenues and transfers				26,709,010
Change in net assets				(182,322)
Net assets - beginning of year				(163,320)
Net assets - end of year				\$ (345,642)

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

ASSETS:

	General	Capital John Kennedy	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash	\$ 3,414,831	\$ 1,825,775	\$ 9,761,828	\$ 343,600	\$ 3,084,201	\$ 18,430,235
Restricted cash	1,699,917	-	-	-	-	1,699,917
Taxes receivable	329,767	-	-	-	-	329,767
State and federal aid receivable	1,883,272	-	-	-	315,500	2,198,772
Other receivables	3,275	-	-	-	40,947	44,222
Due from other governments	23,156	-	-	-	-	23,156
Due from other funds	2,286,515	-	-	3,483,973	208,321	5,978,809
Inventory	-	-	-	-	18,667	18,667
Total assets	<u>\$ 9,640,733</u>	<u>\$ 1,825,775</u>	<u>\$ 9,761,828</u>	<u>\$ 3,827,573</u>	<u>\$ 3,667,636</u>	<u>\$ 28,723,545</u>

LIABILITIES AND FUND EQUITY:

Accounts payable	\$ 531,161	\$ 788,077	\$ 1,444,606	\$ -	\$ -	\$ 2,763,844
Accrued liabilities	1,047,666	-	-	222	10,662	1,058,550
Due to other funds	2,442,143	-	200	137,950	2,717,650	5,297,943
Due to other governments	92,485	-	-	-	735	93,220
Due to retirement systems	654,017	-	-	-	7,092	661,109
Deferred revenue	572,165	-	-	-	302,687	874,852
Bond anticipation notes	-	-	17,061,905	-	-	17,061,905
Compensated absences	193,684	-	-	-	-	193,684
Total liabilities	<u>5,533,321</u>	<u>788,077</u>	<u>18,506,711</u>	<u>138,172</u>	<u>3,038,826</u>	<u>28,005,107</u>

See notes to basic financial statements and  
report of independent accountants.



**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**  
**(Continued)**

	General	Capital John Kennedy	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>FUND EQUITY:</b>						
Reserved:						
Reserved for encumbrances	518,859	44,869	25,988	-	39,991	629,707
Reserved for certiorari proceedings	243,407	-	-	-	-	243,407
Reserved for unemployment insurance	735,835	-	-	-	-	735,835
Reserved for employee benefit accrued liability	275,000	-	-	-	-	275,000
Reserved for flex spending	4,959	-	-	-	-	4,959
Capital reserves	715,716	-	-	-	-	715,716
Reserved for debt service	-	-	-	3,689,401	-	3,689,401
Unreserved:						
General fund	658,636	-	-	-	-	658,636
Special revenue fund	-	-	-	-	479,603	479,603
Capital fund (deficit)	-	992,829	(8,770,871)	-	109,216	(7,668,826)
Designated for subsequent year's expenditures	-	-	-	-	-	-
	<u>955,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,000</u>
Total fund equity (deficit)	<u>4,107,412</u>	<u>1,037,698</u>	<u>(8,744,883)</u>	<u>3,689,401</u>	<u>628,810</u>	<u>718,438</u>
Total liabilities and fund equity	<u>\$ 9,640,733</u>	<u>\$ 1,825,775</u>	<u>\$ 9,761,828</u>	<u>\$ 3,827,573</u>	<u>\$ 3,667,636</u>	<u>\$ 28,723,545</u>

See notes to basic financial statements and  
report of independent accountants.  
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**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	General	Capital John Kennedy	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUE:						
Real property taxes	\$ 14,483,357	\$ -	\$ -	\$ -	876,619	\$ 15,359,976
Nonproperty taxes	881,898	-	-	-	-	881,898
Charges for services	95,029	-	-	-	32,166	127,195
Use of money and property	238,587	-	-	145,715	2,122	386,424
Sale of property and compensation for loss	10,655	-	-	-	-	10,655
Miscellaneous local sources	506,302	-	-	9,687	94,471	610,460
Interfund revenues	12,141	-	-	-	-	12,141
State sources	15,629,454	-	-	833,195	488,416	16,951,065
Federal sources	365,024	-	-	-	2,381,580	2,746,604
Sales	-	-	-	-	455,555	455,555
Gifts and donations	-	-	-	-	9,868	9,868
Total revenue	32,222,447	-	-	988,597	4,340,797	37,551,841
EXPENDITURES:						
General government support	3,843,515	-	-	159,605	849,536	4,852,656
Instruction	20,809,990	-	-	-	2,089,659	22,899,649
Pupil transportation	617,606	-	-	-	10,409	628,015
Employee benefits	5,894,956	-	-	-	490,159	6,385,115
Debt service	106,200	-	-	10,281,262	262,123	10,649,585
Capital outlay	-	8,290,196	7,638,320	-	20,357	15,948,873
Community services	24,400	-	-	-	-	24,400
Cost of sales	-	-	-	-	813,334	813,334
Total expenditures	31,296,667	8,290,196	7,638,320	10,440,867	4,535,577	62,201,627

See notes to basic purpose financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Continued)**

	General	Capital John Kennedy	Capital High School	Debt Service	Other Governmental Funds	Total Governmental Funds
Excess (deficit) revenue over expenditures	925,780	(8,290,196)	(7,638,320)	(9,452,270)	(194,780)	(24,649,786)
OTHER FINANCING SOURCES (USES):						
Interfund transfers out	(650,219)	-	-	-	(9,445,000)	(10,095,219)
Interfund transfers in	275,000	-	-	9,744,541	75,678	10,095,219
Proceeds from serial bonds	-	-	-	-	19,945,000	19,945,000
Total other financing sources (uses)	(375,219)	-	-	9,744,541	10,575,678	19,945,000
Excess (deficit) revenue over expenditures and other financing sources (uses)	550,561	(8,290,196)	(7,638,320)	292,271	10,380,898	(4,704,786)
Fund equity (deficit) - beginning of year	3,556,851	9,327,894	(1,106,563)	3,397,130	(9,752,088)	5,423,224
Fund equity (deficit) - end of year	\$ 4,107,412	\$ 1,037,698	\$ (8,744,883)	\$ 3,689,401	\$ 628,810	\$ 718,438

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS -**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2003**

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ -	\$ 681,128
Restricted cash	254,432	106,381
Restricted investments	<u>239,927</u>	<u>-</u>
Total assets	\$ <u>494,359</u>	\$ <u>787,509</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Agency liabilities	\$ -	\$ 262
Extraclassroom activity balances	-	106,381
Due to other funds	<u>-</u>	<u>680,866</u>
Total liabilities	-	787,509
NET ASSETS:		
Reserved for scholarships	<u>494,359</u>	<u>-</u>
Total liabilities and net assets	\$ <u>494,359</u>	\$ <u>787,509</u>

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET ASSETS -**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Private Purpose Trusts
	<hr/>
REVENUE:	
Interest	\$ 383
Gifts and donations	<hr/> 32,833
Total revenue	33,216
 EXPENSES:	
Scholarships	<hr/> 22,584
Excess revenue over expenses	10,632
 OTHER FINANCING SOURCES:	
Unrealized loss on investments	<hr/> (8,735)
Excess revenue over expenses and other sources	1,897
Net assets - beginning of year	<hr/> 492,462
Net assets - end of year	\$ <hr/> 494,359

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
<b>ASSETS:</b>				
Cash	\$ 18,430,235	\$ -	\$ -	\$ 18,430,235
Restricted cash	1,699,917	-	-	1,699,917
Taxes and accounts receivable	373,989	-	-	373,989
State and federal aid receivable	2,198,772	-	-	2,198,772
Due from other governments	23,156	-	-	23,156
Due from other funds	5,978,809	-	(5,297,943)	680,866
Inventory	18,667	-	-	18,667
Capital assets, net	-	27,563,712	(1)	27,563,712
Total assets	\$ 28,723,545	\$ 27,563,712	(5,297,943)	\$ 50,989,314
<b>LIABILITIES AND NET ASSETS:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,763,844	\$ -	\$ -	\$ 2,763,844
Accrued liabilities	1,058,550	-	-	1,058,550
Serial bonds payable	-	19,105,000	(2)	19,105,000
Bond anticipation notes payable	17,061,905	-	-	17,061,905
Due to other funds	5,297,943	-	(5,297,943)	-
Due to other governments	93,220	-	-	93,220
Due to retirement systems	661,109	-	-	661,109
Deferred revenue	874,852	-	-	874,852
Compensated absences	193,684	9,522,792	(2)	9,716,476
Total liabilities	28,005,107	28,627,792	(5,297,943)	51,334,956

See notes to basic financial statements and  
report of independent accountants.  
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**BATAVIA CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2003**  
**(Continued)**

	Total Governmental Funds	Long-Term Assets/ Liabilities	Reclassifications And Eliminations	Statement of Net Assets Totals
NET ASSETS:				
Total fund equity/net assets	718,438	(1,064,080)	-	(345,642)
Total liabilities and equity	\$ 28,723,545	\$ 27,563,712	\$ (5,297,943)	\$ 50,989,314

- (1) The costs of building and acquiring capital assets (land, buildings, vehicles and equipment) purchased with governmental funds are reported as expenditures in the year they are purchased on the fund basis Statement of Revenue, Expenditures and Change in Fund Equity. The district-wide Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are depreciated and expensed annually over their useful lives.
- (2) Long-term liabilities are reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because they are not due and payable in the current period.
- (3) Elimination of interfund receivables and payables.

**BATAVIA CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUE:				
Real property taxes	\$ 15,359,976	\$ -	-	\$ 15,359,976
Nonproperty taxes	881,898	-	-	881,898
Charges for services	127,195	-	-	127,195
Use of money and property	386,424	-	-	386,424
Sale of property and compensation for loss	10,655	-	-	10,655
Miscellaneous local sources	610,460	-	-	610,460
Interfund revenue	12,141	-	-	12,141
State sources	16,951,065	-	-	16,951,065
Federal sources	2,746,604	-	-	2,746,604
Sales	455,555	-	-	455,555
Gifts and donations	9,868	-	-	9,868
Total revenue	37,551,841	-	-	37,551,841
EXPENDITURES:				
General government support	4,852,656	(51,096)	(1)	4,801,560
Instruction	22,899,649	(77,022)	(1)	22,822,627
Pupil transportation	628,015	-	-	628,015
Employee benefits	6,385,115	700,322	(2)	7,085,437
Debt service	10,649,585	-	(9,540,000)	1,109,585
Capital outlay	15,948,873	(15,948,873)	(1)	-
Community services	24,400	(7,566)	(1)	16,834
Depreciation	-	456,771	(1)	456,771
Cost of sales	813,334	-	-	813,334
Total expenditures	62,201,627	(14,927,464)	(9,540,000)	37,734,163

See notes to basic financial statements and  
report of independent accountants.



**BATAVIA CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**

**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**(Continued)**

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
Excess (deficit) revenue over expenditures	(24,649,786)	14,927,464	9,540,000	(182,322)
OTHER FINANCING SOURCES (USES):				
Interfund transfers out	(10,095,219)	-	10,095,219	(4)
Interfund transfers in	10,095,219	-	(10,095,219)	(4)
Proceeds from serial bonds	19,945,000	-	(19,945,000)	(3)
Total other financing sources (uses)	19,945,000	-	(19,945,000)	-
Excess (deficit) revenue over expenditures and other financing sources (uses)	\$ (4,704,786)	\$ 14,927,464	\$ (10,405,000)	\$ (182,322)

- (1) When the purchase of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures on the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity in the year they are purchased. In the district-wide Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.
- (2) The funding of post employment benefits is recorded as a current year expenditure on the district-wide Statement of Activities.
- (3) Bond proceeds provide current financial resources and are reported as revenue in the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity. The issuing of debt is reported as an increase in long-term liabilities on the Statement of Net Assets. Repayment of bond principal is reported as an expenditure in the fund basis Statement of Revenue, Expenditures and Changes in Fund Equity but is reported as a reduction of long-term liabilities in the district-wide Statement of Net Assets.
- (4) Elimination of interfund transfers.

See notes to basic financial statements and  
report of independent accountants.

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

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

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

**A. FINANCIAL REPORTING ENTITY**

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. 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. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

**1. Included in the Reporting Entity**

The Extraclassroom Activity Funds of the District represent funds of the students of 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. Cash balances and a corresponding liability are reported in the Trust and Agency Fund of the District.

**2. Joint Venture**

The District is one of 22 participating school districts in the Board of Cooperative Educational Services of Genesee, Livingston, Steuben and Wyoming Counties (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

BOCES is organized under Section 1950 of Education Law. A BOCES Board is considered a corporate body. 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 general municipal law.

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

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

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).

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

The BOCES governing board is elected based on the vote of members of the participating school districts' governing boards. BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2003, the District was billed \$3,970,888 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:**

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government 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 grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

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

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

2. Fund financial statements:

The fund 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 other governmental funds.

The District reports the following major governmental funds:

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

Capital Projects Funds (John Kennedy and Batavia High School): These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund – used to account for transactions of the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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



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

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

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

**D. PROPERTY TAXES**

Real property taxes are levied annually by the Board of Education no later than October 1. Uncollected real property taxes are subsequently enforced by the City of Batavia and Towns of Batavia and Stafford. The City and Towns pay an amount representing uncollected taxes transmitted to them for enforcement to the District no later than the forthcoming January 1. Uncollected real property taxes at June 30, 2003 are reported as taxes receivable and deferred tax revenue.

**E. BUDGETARY DATA**

**1. BUDGET POLICIES**

The District's administration prepares a proposed budget for approval by the Board of Education for the General and Debt Service Funds. The Public Library prepares a budget for the Public Library Fund which is approved by the Library Board of Trustees. The proposed appropriation budgets are 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. Supplemental appropriations may occur with Board approval, subject to legal restrictions, if a need exists which was not determined at the time the budget was adopted.

**2. BUDGET BASIS OF ACCOUNTING**

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

**F. ACCOUNTS RECEIVABLE**

Accounts receivables are shown at gross with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that all accounts receivable will be collected.

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

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

G. INVESTMENT

Investments are valued at fair market value as of June 30, 2003.

H. INVENTORY

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

I. DUE TO/FROM OTHER FUNDS

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in Note 3., A., 2.

J. CAPITAL ASSETS

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

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

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

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

**K. 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.

**L. POST-EMPLOYMENT BENEFITS**

In addition to providing retirement benefits, the District provides post-employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District.

Currently, 101 retirees meet these eligibility requirements. The District pays 100% of the cost of these benefits. The District recognized the cost of providing these benefits for the fiscal year 2003 by recording \$370,767 as an expenditure, its share of the healthcare costs for the currently enrolled retirees.

The District has accrued a liability for compensated absences which has been calculated at rates in effect as of the balance sheet date. The compensated absences liability recognized is attributed to the value of accumulated sick days and sick leave converted to pay the employees' share of post-employment health insurance premiums. The amount recognized at June 30, 2003 for compensated absences and the value of sick leave converted to pay employees' post-employment health insurance premiums was \$9,716,476. Of this amount, \$400,000 is reported as a current liability and \$9,316,476 is reported as a long-term liability.

**M. DEFERRED REVENUE**

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

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

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

N. FUND EQUITY

Reservations of fund balances are created either to satisfy legal restrictions or plan for future expenditures. Designation of unreserved fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use. The following is a description of the reserves utilized by the District.

1. RESERVED FUND BALANCE

a. Encumbrance Reserve

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as a reservation of fund balance, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

b. Tax Certiorari Reserve

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

c. Reserved for Employee Benefits Accrued Liability

This reserve is used to reserve funds for the payment of accrued employee benefits due to employees upon termination of service.

d. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. The reserve is accounted for in the General Fund.

e. Unemployment Insurance Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York Unemployment Insurance Fund for payments made to claimants.



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

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

f. Reserve for Debt Service

This reserve is used to account for revenue restricted for payment of debt, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund

2. UNRESERVED

General Fund - The amount of \$955,000 has been designated as the amount estimated to be appropriated to reduce taxes in the subsequent year as required by Section 1318 of the Real Property Tax Law.

**NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2003, the District implemented GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." GASB 34 creates a new set of basic financial statements, and requires school districts to include district-wide financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type. Non-major funds are presented as a total in one column as "Other Governmental Funds".

The implementation of GASB 34 resulted in the need to restate prior year ending balances. Financial statements for the year ended June 30, 2002 were issued in conformity with GAAP. GASB Statement 34 requires certain amounts to be restated. The reconciliation of restated amounts to the June 30, 2002 year-end balance is as follows:

Total equity and other credits reported for June 30, 2002	\$ 58,291,481
Less: Capital assets	<u>52,868,257</u>
Beginning fund balance reported on governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance, as adjusted	5,423,224

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

**NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

The following adjustments are necessary to determine the beginning net assets for the Statement of Activities:

Capital asset related items:

Capital assets reported on June 30, 2002	52,868,257
Adjustment to June 30, 2002 capital assets	(16,789,560)
Accumulated depreciation for government type capital assets through June 30, 2002	(24,142,771)

Long-term outstanding obligation items:

Compensated absence liability at June 30, 2002	(8,822,470)
Long-term obligations as of June 30, 2002	<u>(8,700,000)</u>

Beginning net assets reported on Statement of Activities for governmental activities	\$ <u>(163,320)</u>
--	---------------------

Funding of Reserves - The Governmental Accounting Standards Board issued Interpretation No. 6. "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements", related to GASB Statement No. 34. The interpretation changed the way the District could account for the accrual of compensated absences in the General Fund. Accordingly, the District established an employee benefit accrued liability reserve. However, the timing of the District's budget preparation being prior to that of implementing GASB Statement No. 34 caused the District to budget for the compensated absences in employee benefits rather than as a transfer to a reserve. As a result, the District's funding of the reserve is presented as an unbudgeted interfund transfer.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. ASSETS**

**1. CASH AND INVESTMENTS**

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

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Collateral is required for demand 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.

Deposits

The financial institution (bank) balances at June 30, 2003, according to the bank amounted to \$22,882,623. These deposits are valued at cost plus interest and are categorized as follows:

1. Insured by Federal Deposit Insurance - \$612,825
2. Collateralized with securities held by a third party under a collateral agreement with the District's financial institution in the District's name - \$22,269,798

Investments

Included in the District's Trust and Agency Fund are non-expendable investments. Income from the investments may be used for scholarships for the District's students. These investments are stated at fair market value and are categorized as registered and held by the District.

	<u>Cost</u>	<u>Market Value</u> <u>June 30, 2003</u>
274 Shares American Telephone and Telegraph, Inc.	\$ 2,820	\$ 1,040
319 Shares Verizon	5,498	12,585
630 Shares SBC Communications	5,437	16,097
3,472 Shares Putnam Investors Fund, Inc.	27,852	34,391
2,386 Shares Chase Manhattan Bank	24,319	81,553
352 Shares Lucent Technologies, Inc.	1,141	715
93 Agere Systems	-	214
3,210 Shares Eastman Kodak	200,000	87,794
130 Shares FleetBoston	5,452	3,862

For the year ended June 30, 2003, the District recognized an unrealized loss of \$8,735.

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

2. INTERFUND ACTIVITY BALANCES

Interfund balances at June 30, 2003 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$2,286,515	\$2,442,143	\$ 275,000	\$ 650,219
Special Aid Fund	91,946	2,048,015	25,219	-
Capital Projects Fund	7,634	152,149	50,459	9,445,000
Debt Service Fund	3,483,973	137,950	9,744,541	-
Public Library Fund	108,741	256,528	-	-
School Lunch Fund	-	261,158	-	-
Trust and Agency Fund	-	680,866	-	-
Total	<u>\$5,978,809</u>	<u>\$5,978,809</u>	<u>\$10,095,219</u>	<u>\$10,095,219</u>

3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2003 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 900,000	\$ -	\$ -	\$ 900,000
Construction in progress	<u>1,970,562</u>	<u>15,948,873</u>	<u>-</u>	<u>17,919,435</u>
Total nondepreciable historical cost	<u>2,870,562</u>	<u>15,948,873</u>	<u>-</u>	<u>18,819,435</u>
Capital assets that are depreciated:				
Buildings	29,762,604	-	-	29,762,604
Furniture and equipment	3,245,531	111,762	-	3,357,293
Vehicles	<u>200,000</u>	<u>23,922</u>	<u>-</u>	<u>223,922</u>
Total depreciable historical cost	<u>33,208,135</u>	<u>135,684</u>	<u>-</u>	<u>33,343,819</u>
Less accumulated depreciation:				
Buildings	21,966,850	283,587	-	22,250,437
Furniture and equipment	2,035,921	153,184	-	2,189,105
Vehicles	<u>140,000</u>	<u>20,000</u>	<u>-</u>	<u>160,000</u>
Total accumulated depreciation	<u>24,142,771</u>	<u>456,771</u>	<u>-</u>	<u>24,599,542</u>
Total depreciable historical cost, net	<u>\$11,935,926</u>	<u>\$15,627,786</u>	<u>\$ -</u>	<u>\$27,563,712</u>

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. LIABILITIES**

**1. PENSION PLANS**

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

**PLAN DESCRIPTIONS**

**Teachers' Retirement System (TRS)**

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

**Employees' Retirement System (ERS)**

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

**FUNDING POLICIES**

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3% of their salary. Employees in the system more than ten years are no longer required to contribute. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.



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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

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

	<u>ERS</u>	<u>TRS</u>
2003	\$ 294,621	\$ 54,320
2002	23,343	53,266
2001	6,607	201,281

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

Since 1989, the ERS's billings have been based on Chapter 62 of the Law of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The total unpaid liability as of June 30, 2003 was \$11,652.

Pursuant to Chapter 30 and 47 retirement incentive programs, the State Legislature authorized local governments to make available retirement incentive programs. The District's estimated total cost of participating in the programs is approximately \$933,942, which was charged to expenditures in the Governmental Funds in the fiscal year the incentives were adopted.

2. INDEBTEDNESS

**SHORT-TERM DEBT**

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Interest on short-term debt amounted to \$262,124.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 3/26/04 at 1.18%	\$10,500,000	\$17,061,905	\$10,500,000	\$17,061,905

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

LONG-TERM DEBT

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds and note payable:					
General obligation debt:					
Serial Bonds	\$ 8,700,000	\$11,345,000	\$ 940,000	\$19,105,000	\$ 1,290,000
Other liabilities:					
Due to Teachers'					
Retirement System	373,577	-	186,788	186,789	186,789
Due to Employees'					
Retirement System	23,304	-	11,652	11,652	11,652
Compensated absences	<u>2,349,808</u>	<u>7,641,668</u>	<u>-</u>	<u>9,991,476</u>	<u>468,684</u>
Total other liabilities	<u>2,746,689</u>	<u>7,641,668</u>	<u>198,440</u>	<u>10,189,917</u>	<u>667,125</u>
Total long-term					
Liabilities	<u>\$11,446,689</u>	<u>\$18,986,668</u>	<u>\$ 1,138,440</u>	<u>\$29,294,917</u>	<u>\$ 1,957,125</u>

Interest on long-term debt amounted to \$152,580 for the year ended June 30, 2003.

The following is a summary of maturity of indebtedness outstanding at June 30, 2003:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2003</u>
Serial Bonds Payable	5/15/03	5/15/18	Variable	\$10,500,000
	12/14/02	6/15/14	Variable	<u>8,605,000</u>
Total				<u>\$19,105,000</u>

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

The following table summarizes the District's future debt service requirements for serial bonds outstanding at June 30, 2003:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,290,000	\$ 616,769
2005	1,310,000	588,219
2006	1,345,000	559,219
2007	1,385,000	527,507
2008	1,430,000	489,882
2009-2013	7,435,000	1,742,630
2014-2018	<u>4,910,000</u>	<u>518,512</u>
Total	<u>\$19,105,000</u>	<u>\$5,042,738</u>

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

Health Insurance Plan

The District independently self-insured costs related to an employee health insurance plan (the Plan). The Plan's objectives are to formulate, develop, and administer a health insurance program to obtain lower costs for coverage, and to develop a comprehensive loss control program. The Plan uses reinsurance agreements to reduce exposure to large losses on insured events. Reinsurance permits recovery of a portion of the losses from the reinsurer, although it does not discharge the liability of the Plan as a direct insurer of the risks reinsured.

Since actual claim costs depend on complex factors, the process of computing claim liabilities does not necessarily result in an exact amount. Such liabilities are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not charged or credited to expense in the periods in which they are made. As of June 30, 2003, the District has accrued a liability for incurred but not reported insured events of \$780,000.

As of June 30, 2003 the District has elected to terminate the Plan effective October 1, 2003.

Workers' Compensation Plan

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



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

**NOTE 4 - COMMITMENTS AND CONTINGENCIES (Continued)**

The District is one of 40 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 participation in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Plan has established reserve liabilities which provide for current claim expenses. At June 30, 2003 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District. However, based on the County's December 31, 2001 financial statements, the Plan has recorded unfunded liabilities for estimated claims incurred prior to December 31, 2001 in excess of current reserves for all participants other than Genesee County of \$1,078,157.

**NOTE 5 - FUND BALANCE - RESERVED**

A. DEFICIT FUND BALANCE

Capital Projects Fund - The deficit fund balance of \$7,597,969 will be eliminated as short-term debt is redeemed or converted to permanent financing.

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

**NOTE 5 - FUND BALANCE – RESERVED (Continued)**

B. CHANGES IN GENERAL FUND BALANCE COMPONENTS

Changes in the various reserves recorded by the District in the General Fund are as follows:

	Balance <u>June 30, 2002</u>	<u>Revenue</u>	<u>Expenditures</u>	Balance <u>June 30, 2003</u>
Tax Certiorari Proceedings	\$ 243,407	\$ -	\$ -	\$ 243,407
Unemployment Insurance	765,969	-	30,134	735,835
Capital Reserve	715,716	-	-	715,716
Flex Spending	<u>4,959</u>	<u>-</u>	<u>-</u>	<u>4,959</u>
	\$ <u>1,730,051</u>	\$ <u>-</u>	\$ <u>30,134</u>	\$ <u>1,699,917</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUE:				
Local sources:				
Real property taxes	\$ 14,497,722	\$ 14,497,722	\$ 14,483,357	\$ (14,365)
Nonproperty tax items	775,000	775,000	881,898	106,898
Charges for services	55,500	55,500	95,029	39,529
Use of money and property	283,500	283,500	238,587	(44,913)
Sale of property and compensation for loss	2,500	2,500	10,655	8,155
Miscellaneous	490,000	490,000	506,302	16,302
Interfund revenues	120,000	120,000	12,141	(107,859)
State sources:				
Basic formula	11,165,584	11,165,584	11,635,442	469,858
Lottery aid	2,000,000	2,000,000	2,288,690	288,690
BOCES	1,521,023	1,521,023	1,426,657	(94,366)
All other state aid	158,270	158,270	278,665	120,395
Federal sources	<u>110,000</u>	<u>110,000</u>	<u>365,024</u>	<u>255,024</u>
Total revenue	31,179,099	31,179,099	32,222,447	1,043,348
Other sources:				
Transfers in	-	-	275,000	275,000
Appropriated fund balance	<u>955,000</u>	<u>1,286,716</u>	<u>-</u>	<u>(1,286,716)</u>
Total revenue and other sources	<u>\$ 32,134,099</u>	<u>\$ 32,465,815</u>	<u>\$ 32,497,447</u>	<u>\$ 31,632</u>

See notes to basic financial statements and  
report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Continued)**

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>EXPENDITURES:</b>					
General support:					
Board of education	\$ 9,050	\$ 128,170	\$ 128,170	-	\$ -
Central administration	194,323	78,250	77,910	340	-
Finance	476,652	475,720	475,376	344	-
Staff	173,763	117,892	117,892	-	-
Central services	2,461,851	2,614,867	2,494,836	120,031	-
Special items	699,323	549,331	549,331	-	-
Instruction:					
Instruction, administration, and improvements	1,182,643	1,277,036	1,276,886	150	-
Teaching - regular school	12,223,533	12,517,475	12,249,174	268,301	-
Programs for children with handicaps	4,020,137	3,536,520	3,524,140	12,310	70
Occupational education	819,390	786,390	786,390	-	-
Instructional media	1,782,153	1,477,061	1,417,936	59,125	-
Pupil services	1,766,661	1,613,722	1,555,464	58,258	-
Pupil transportation	635,851	617,606	617,606	-	-
Community services	12,200	24,400	24,400	-	-
Employee benefits	5,203,369	6,169,956	5,894,956	-	275,000
Debt service - principal	100,000	100,000	100,000	-	-
Debt service - interest	7,200	6,200	6,200	-	-
Total expenditures	31,768,099	32,090,596	31,296,667	518,859	275,070
Other uses:					
Interfund transfers	366,000	375,219	650,219	-	(275,000) *
Total expenditures and other uses	\$ 32,134,099	\$ 32,465,815	\$ 31,946,886	\$ 518,859	\$ 70
Excess revenue over expenditures and other uses			\$ 550,561		

\* See Note 2 - Funding of Reserves

See notes to basic financial statements and  
report of independent accountants.  
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**SECTION B**  
**SUPPLEMENTAL SCHEDULES**

**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

	Public Library	School Lunch	Special Aid	Capital	Total
<b>ASSETS:</b>					
Cash	\$ 486,113	\$ 428,769	\$ 1,915,788	\$ 253,531	\$ 3,084,201
Accounts receivable	-	9,970	30,977	-	40,947
Due from other funds	108,741	-	91,946	7,634	208,321
State and federal aid receivable	-	32,030	283,470	-	315,500
Inventory	-	18,667	-	-	18,667
Total assets	\$ 594,854	\$ 489,436	\$ 2,322,181	\$ 261,165	\$ 3,667,636
<b>LIABILITIES AND FUND EQUITY:</b>					
<b>Liabilities:</b>					
Accrued liabilities	\$ 8,362	\$ 2,300	\$ -	\$ -	\$ 10,662
Due to other governments	-	735	-	-	735
Due to other funds	256,528	261,158	2,048,015	151,949	2,717,650
Due to employees' retirement system	7,092	-	-	-	7,092
Deferred revenue	28,521	-	274,166	-	302,687
Total liabilities	300,503	264,193	2,322,181	151,949	3,038,826
<b>Fund equity:</b>					
Reserved for encumbrances	9,940	-	30,051	-	39,991
Undesignated	284,411	225,243	(30,051)	109,216	588,819
Total fund balance	294,351	225,243	-	109,216	628,810
Total liabilities and fund equity	\$ 594,854	\$ 489,436	\$ 2,322,181	\$ 261,165	\$ 3,667,636

See report of independent accountants.

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**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Public Library	School Lunch	Special Aid	Capital	Total
REVENUE:					
Real property taxes	\$ 876,619	\$ -	\$ -	-	\$ 876,619
Charges for services	32,166	-	-	-	32,166
Use of money and property	551	1,571	-	-	2,122
Miscellaneous	87,400	7,071	-	-	94,471
State sources	-	34,210	454,206	-	488,416
Federal sources	-	460,522	1,921,058	-	2,381,580
Gifts and donations	9,868	-	-	-	9,868
Sales	-	455,555	-	-	455,555
Total revenue	1,006,604	958,929	2,375,264	-	4,340,797
EXPENDITURES:					
General support	824,198	-	25,338	-	849,536
Instruction	-	-	2,089,659	-	2,089,659
Pupil transportation	-	-	10,409	-	10,409
Employee benefits	121,128	93,954	275,077	-	490,159
Debt service	-	-	-	262,123	262,123
Capital outlay	-	-	-	20,357	20,357
Cost of sales	-	813,334	-	-	813,334
Total expenditures	945,326	907,288	2,400,483	282,480	4,535,577

See report of independent accountants.  
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**BATAVIA CITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND EQUITY - OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Public Library	School Lunch	Special Aid	Capital	Total
Excess (deficit) revenue over expenditures	61,278	51,641	(25,219)	(282,480)	(194,780)
OTHER FINANCING SOURCES:					
Interfund transfers out	-	-	-	(9,445,000)	(9,445,000)
Interfund transfers in	-	-	25,219	50,459	75,678
Proceeds from serial bonds	-	-	-	19,945,000	19,945,000
Total other financing sources (uses)	-	-	25,219	10,550,459	10,575,678
Excess revenue over expenditures and other financing sources	61,278	51,641	-	10,267,979	10,380,898
Fund equity (deficit) - beginning of year	233,073	173,602	-	(10,158,763)	(9,752,088)
Fund equity - end of year	\$ 294,351	\$ 225,243	\$ -	\$ 109,216	\$ 628,810

See report of independent accountants.



**BATAVIA CITY SCHOOL DISTRICT**  
**GENERAL FUND**  
**ANALYSIS OF CHANGE FROM ORIGINAL BUDGET**  
**TO REVISED BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Original Budget	\$32,134,099
Additions:	
Encumbrances	<u>331,716</u>
Revised Budget	<u>\$32,465,815</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**GENERAL FUND**  
**ANALYSIS OF USE OF BEGINNING FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2003**

A909 Fund balance as of beginning of year (unreserved)	\$ 1,495,083
Less:	
A599 Appropriated fund balance used for levy of taxes	<u>955,000</u>
Fund balance (undesignated)	<u>\$ 540,083</u>

See report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES**  
**CAPITAL PROJECTS FUND**  
**JUNE 30, 2003**

Project Title	Original Appropriations	Revised Appropriations	Expenditures to Date		Total	Available Balance
			Prior Years	Current Year		
Land - Capital Reserve	\$ 62,895	\$ 432,325	\$ 324,953	\$ -	\$ 324,953	\$ 107,372
Computer Technology	200,000	4,704,190	4,565,335	-	4,565,335	138,855
Jackson Addition	5,935,200	5,935,200	5,597,424	2,375	5,599,799	335,401
Robert Morris Reconstruction	1,593,300	1,593,300	1,565,639	17,198	1,582,837	10,463
John Kennedy - Renovation	10,100,277	10,100,277	917,336	8,290,196	9,207,532	892,745
High School - Renovation	18,092,043	18,092,043	1,053,226	7,638,320	8,691,546	9,400,497
Administration Building - HVAC and Electrical Work	502,585	502,585	45,986	784	46,770	455,815
Light Panel	84,500	84,500	73,369	-	73,369	11,131
Library Roof	79,000	79,000	68,715	-	68,715	10,285
Cameras	87,400	87,400	87,400	-	87,400	-
Total	\$ 36,737,200	\$ 41,610,820	\$ 14,299,383	\$ 15,948,873	\$ 30,248,256	\$ 11,362,564

See report of independent accountants.  
B5

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUE AND**  
**EXPENDITURES COMPARED TO ST-3 DATA**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>ST-3</u> <u>Account Code</u>	<u>Audited</u> <u>Amount</u>	<u>ST-3</u> <u>Amount</u>
REVENUE:			
Property Taxes	A-1001	\$10,781,737	\$10,781,737
Non Property Taxes	AT-1199	881,898	881,898
State Aid	AT-3999	15,629,454	15,629,454
Federal Aid	AT-4999	365,024	365,024
Total Revenue	AT-5999	32,497,447	32,497,447
EXPENDITURES:			
General Support	AT-1999	\$ 3,843,515	\$ 3,843,515
Pupil Transportation	AT-5599	617,606	617,606
Debt Service - Principal	AT-9798.6	100,000	100,000
Debt Service - Interest	AT-9798.7	6,200	6,200
Total Expenditures	AT-9999	31,946,886	31,946,886

See report of independent accountants.

## **SECTION C**

### **FEDERAL FINANCIAL ASSISTANCE**



Freed Maxick & Battaglia, CPAs, PC

**Report of Independent Accountants  
on Supplementary Information -  
Schedule of Expenditures of Federal Awards**

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

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2003 and have issued an unqualified opinion in our report thereon dated August 29, 2003. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Batavia, New York  
August 29, 2003

*Freed Maxick + Battaglia PC*

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Direct Programs		
None		
Passed through New York State Bureau of School Food Management		
Food Distribution	10.550	\$ 60,946
National School Lunch Program	10.555	304,099
National School Breakfast Program	10.553	95,477
Total U.S. Department of Agriculture		<u>460,522</u>
 <u>U.S. Department of Education</u>		
Direct Programs		
None		
Passed through the State Education Department of the State of New York		
Educationally Deprived Children -		
Local Education Agencies – 2001-2002	84.010	108,183*
2002-2003	84.010	561,786*
Migrant Education – 2001-2002	84.011	96,667*
2002-2003	84.011	389,532*
Local Educational Agencies		
Title VI of ESEA 2002-2003	84.298	5,280
Education of the Handicapped (PL94-142)		
2001-2002	84.027	88,663*
2002-2003	84.027	409,873*
ESEA Title II-2001-2002		
Drug-Free Schools and Communities		
2001-2002	84.186	2,310
2002-2003	84.186	9,876
Handicapped-State Grants - Part B, Education of the Handicapped (PL99-457)		
2001-2002	84.173	47,810
2002-2003	84.173	28,402
Title VI – Class Size Reduction		
2002-2003	84.340	149,453
Committee on Preschool Education		
Part B, Education of the Handicapped – 2002-2003 CPSE	84.173	23,223
Total U.S. Department of Education		<u>1,921,058</u>
 Total Expenditures of Federal Awards		 \$ <u>2,381,580</u>

\*Denotes Major Program

See report of independent accountants  
and notes to Schedule of Expenditures of Federal Awards.

**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by Batavia City School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The amounts reported as Federal expenditures were obtained from the general ledger detail, which is the source of the District's basic financial statements.

**NOTE 3 - PASS-THROUGH GRANTOR**

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

**NOTE 4 - MAJOR PROGRAM DETERMINATION**

The District has determined that all federal programs with expenditures of \$300,000 or more are Type A programs, some of which are deemed major programs for the purpose of the Schedule of Expenditures of Federal Awards.

**NOTE 5 - NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2003, the School District received \$60,946 worth of commodities under the Surplus Food Distribution Program (CFDA 10.550).

## **SECTION D**

### **INTERNAL CONTROL AND COMPLIANCE**





**Report of Independent Accountants  
on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Basic  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited the basic financial statements of Batavia City School District (the District) as of and for the year ended June 30, 2003, and have issued an unqualified opinion in our report thereon dated August 29, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 03-2 and 03-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

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

Batavia, New York  
August 29, 2003

*Fred Maxick + Battaglia PC*



**Report of Independent Accountants on Compliance  
with Requirements Applicable to Each Major  
Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Batavia City School District (the District) with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. The District's major Federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Batavia City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2003.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-1.

A material weakness is condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above as item 03-1 to be a material weakness.

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

Batavia, New York  
August 29, 2003

*Fred Maxick + Battaglia PC*

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**SUMMARY OF AUDIT RESULTS**

1. The report of Independent Accountants expressed an unqualified opinion on the basic financial statements of Batavia City School District.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Report of Independent Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements of the District were noted that would be required to be reported in accordance with *Government Auditing Standards*.
4. One reportable condition noted during the audit of the major Federal award programs is reported in the Report of Independent Accountants on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. The condition is not reported as a material weaknesses.
5. The auditor's report on compliance for the major Federal award programs for the District expresses an unqualified opinion on all major Federal programs.
6. No audit findings relative to the major award programs are reported in this schedule.
7. The programs tested as major programs included: the Title I Program (CFDA – 84.010), the Migrant Education Program (CFDA - 84.011) and the Education of the Handicapped Program (CFDA - 84.027).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Batavia City School District did not qualify as a low-risk auditee.



**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Findings - Financial Statement Audit

**03-1 Segregation of Duties**

The size of the District's business office limits the extent of separation of duties. The basic premise of adequate segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Internal controls are designed to safeguard assets and help prevent losses from employee errors or dishonesty. While the size of the District's accounting staff prohibits complete adherence to this concept, we recommend that management evaluate the accounting system and segregate as many of the accounting functions as possible.

**03-2 Purchasing**

During our audit, we noted a purchase in the General Fund that was in excess of the minimum bid limits, but was not purchased through competitive bids or State contract agreements.

Competitive bidding thresholds under General Municipal Law, Section 103 are \$20,000 for contracts for public work, \$10,000 for purchase contracts. We recommend that the District implement controls to ensure compliance with bidding requirements provided for in General Municipal Law.

**03-3 Interfund Transfers**

During our audit, we noted that the District made an interfund transfer to the Special Aid Fund of \$25,219 to reimburse the Special Aid Fund for the local share of the summer school program. The transfer exceeded the amount budgeted by \$9,219.

We recommend that the District anticipate such necessary transfers and ensure that the budget adequately provide for them in order to adhere to the budget approved by the Board of Education and the voters.

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

FINDING

STATUS

**01-1 Segregation of Duties**

The size of the District's business office limits the extent of segregation of duties and the ability to cross-train office personnel. The basic premise of adequate segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

See finding 03-1

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





**Report of Independent Accountants on the  
Statement of Cash Receipts, Disbursements and  
Fund Balance - Cash Basis - of the  
Extraclassroom Activity Funds**

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

We have audited the accompanying statement of cash receipts, disbursements and fund balance - cash basis of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2003. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

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

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the year ended June 30, 2003, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Batavia, New York  
August 29, 2003

*Fred Maxick & Battaglia PC*

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND FUND BALANCE - CASH BASIS -**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Balance July 1, 2002	Cash Receipts	Cash Disbursements	Balance June 30, 2003
Class of 1997	\$ 101	\$ -	\$ -	\$ 101
Class of 1999	1,859	-	-	1,859
Class of 2001	3,300	-	3,300	-
Class of 2002	1,389	-	-	1,389
Class of 2003	6,627	18,441	25,444	(376)
Class of 2004	5,472	4,127	2,681	6,918
Class of 2005	4,027	3,944	3,361	4,610
Class of 2006	-	14,900	10,716	4,184
Batavian	2,676	20,361	20,406	2,631
BHS Student Government	3,542	9,649	4,908	8,283
BHS Ski Club	2,367	11,366	9,971	3,762
Sales Lab	1,294	3,630	3,447	1,477
Baseball Fund	548	-	234	314
BHS Literacy	1,497	6,531	7,165	863
BHS Band	3,404	5,584	4,530	4,458
BHS Library	170	27	27	170
BHS Chorus	8,266	2,248	2,011	8,503
BHS Assembly	2,677	4,109	5,709	1,077
BHS Gymnastics	335	2,019	1,767	587
A.P. Fund	1,229	10,574	10,927	876
National Honor Society	263	10,763	10,880	146
BHS Language Club	216	-	-	216
SADD	1,479	3,677	4,660	496
Project Graduation	110	2,945	2,868	187
BHS Pages	269	-	-	269
Boys Basketball Club	53	-	-	53
BHS Tennis	21	-	-	21
BMS Band	3,049	7,383	8,201	2,231
BMS Bowling	118	124	225	17
Subtotal	\$ 56,358	\$ 142,402	\$ 143,438	\$ 55,322

See note to financial statement  
and report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND FUND BALANCE - CASH BASIS -**  
**EXTRACLASROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Continued)**

	<u>Balance</u> <u>July 1, 2002</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2003</u>
BMS Chorus	518	-	-	518
BMS Yearbook	669	13,971	11,105	3,535
BMS Orchestra	2,101	23,220	22,542	2,779
Character Education	27	1,325	860	492
BMS Tech. Club	183	1,376	-	1,559
BMS Assembly	5,090	2,119	2,833	4,376
BMS Student Council	1,525	7,803	5,754	3,574
BMS Honor Society	1,234	512	202	1,544
BMS AHEAD	1,446	4,668	3,521	2,593
BMS Hand-in-Hand	6	-	-	6
7th Grade - Team I	6,562	7,432	8,151	5,843
7th Grade - Team II	3,379	4,288	5,140	2,527
8th Grade - Team I & II	304	6,319	5,048	1,575
Wall-to-Wall	374	547	67	854
M.S. Book Fair	209	1,383	1,358	234
R. Morris - 5th grade	120	-	118	2
R. Morris Media	2,241	3,665	4,922	984
R. Morris Student Council	554	179	194	539
R. Morris Assembly	2,581	12,771	12,714	2,638
R. Morris Newspaper	-	-	-	-
J. Kennedy Media	720	48	544	224
J. Kennedy Council	1,519	-	-	1,519
Girls Basketball	34	-	-	34
Books Across America	138	-	-	138
BHS Cultural Diversity	688	-	-	688
BHS Whalewatch	156	-	-	156
BMS Chess Club	185	-	32	153
Varsity Club	-	546	484	62
BHS Scholastic Bowl	627	100	260	467
BHS Drama Club	42	-	-	42
Subtotal	\$ 33,232	\$ 92,272	\$ 85,849	\$ 39,655

See note to financial statement  
and report of independent accountants.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND FUND BALANCE - CASH BASIS -**  
**EXTRACLASROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**  
**(Continued)**

	<u>Balance</u> <u>July 1, 2002</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2003</u>
BMS Literacy Magazine	156	48	96	108
High School Production	3,309	8,116	4,836	6,589
INK	308	-	237	71
Girls Volleyball	162	-	-	162
Girls Softball	153	3,828	4,053	(72)
Sports Medicine	122	150	-	272
J.V. Football Cheerleaders	-	433	433	-
Jackson Library	-	21	-	21
BMS 6th South	-	718	-	718
BMS 6th North	-	3,439	-	3,439
Interest Checking	(34)	232	102	96
Subtotal	4,176	16,985	9,757	11,404
Subtotal (E3)	56,358	142,402	143,438	55,322
Subtotal (E4)	33,232	92,272	85,849	39,655
Total	\$ <u>93,766</u>	\$ <u>251,659</u>	\$ <u>239,044</u>	\$ <u>106,381</u>

See note to financial statement  
and report of independent accountants.

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

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

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Trust and Agency Fund in the District's statement of net assets - fiduciary funds at June 30, 2003.

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

Sales Lab and Interest Checking are not clubs but have been reported as separate line items in the Statement of Cash Receipts, Cash Disbursements and Fund Balance for record keeping purposes.



**BATAVIA CITY SCHOOL DISTRICT**  
**EXTRACLASROOM ACTIVITY FUNDS**  
**SUMMARY OF AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**CASH RECEIPTS**

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

Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued at the point of sale and a preaudit of receipts was available for each major fundraiser. Extraclassroom activity funds are derived from a number of sources such as admissions, sales and campaigns. The procedures used in collecting and preauditing these several types of receipts will naturally vary. As far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

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

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

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

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

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



**BATAVIA CITY SCHOOL DISTRICT**  
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**CASH DISBURSEMENTS**

Based on our tests of the extraclassroom cash disbursements, we noted the following:

- Checks were issued by the Central Treasurer without all the necessary signatures present on the disbursement orders.
- One disbursement was made without the presence of all required approvals.
- Checks were issued without the presence of an original vendor invoice.

We suggest that the Central Treasurer refrain from issuing checks for disbursements without all of the necessary signatures being present on the disbursement order and without an original copy of the invoice.

**ACTIVITY FUND MANAGEMENT**

During our audit, we were informed by the Central Treasurer that profit and loss analyses for fund-raising events are not prepared. The Board of Education has the ultimate responsibility for the safeguarding of the Extraclassroom Activity Fund. The Board delegates this responsibility to the Central Treasurer, the faculty advisors and the student treasurers.

In order to help monitor the plans and operations of the various activities, we suggest that at the start of each school year the activity advisors and activity officers prepare a program outline indicating the various events to be held, the anticipated profits and the plans for the proceeds. As each event is completed, the program outline should be compared to the actual results. The Profit and Loss Analysis should be filed with the activity records for future reference. A copy of the program outline should be given to the faculty advisor and the Central Treasurer so they can anticipate the various events throughout the year.

**STUDENT LEDGERS**

During our audit, we were also informed of instances whereby the student treasurers were not maintaining accounting ledgers or student ledgers were not provided during the audit. Finance Pamphlet 2 recommends that student treasurers maintain a ledger showing all cash receipts and disbursements, and a daily running equity balance. It is also suggested that the student treasurer maintain a file of all supporting data, chronologically as evidence for the entries made in the ledger. We also noted some instances where the student treasurer ledgers did not agree to the Central Treasurer's ledger. We recommend that student treasurers reconcile their ledgers with the Central Treasurer's ledger on a semi-annual basis.

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**DEFINITION**

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

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

**INACTIVE CLUBS**

During our audit of the Extraclassroom Activity Funds, we also noted that the Class of 1997, 1999 and 2002 still had balances. We suggest that the Central Treasurer and advisors monitor club activities more closely to make sure that graduating classes have expended all of their available funds. If funds are remaining at year-end, student treasurers should be instructed to transfer any remaining funds into a reunion account established for future class expenditures.

**Deficit Club Balances**

During our audit, we noted that two clubs had deficit cash balances. We recommend that the Central Treasurer and faculty advisor review the funds available in each club's account before making any adjustments.