

**BATAVIA CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2009**

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS

Page

SECTION A **FINANCIAL SECTION**

| | |
|---|---------|
| Independent Auditor's Report | |
| Management's Discussion and Analysis | 1-14 |
| Basic Financial Statements: | |
| Statement of Net Assets | A1 |
| Statement of Activities | A2 |
| Balance Sheet - Governmental Funds | A3-A4 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | A5-A6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | A7-A8 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | A9-A10 |
| Statement of Net Assets - Fiduciary Funds | A11 |
| Statement of Changes in Net Assets - Fiduciary Fund | A12 |
| Notes to Basic Financial Statements | A13-A33 |
| Budgetary Comparison Schedule for the General Fund | A34-A35 |

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS
(Continued)

Page

SECTION B
SUPPLEMENTAL SCHEDULES

| | |
|--|----|
| Combining Balance Sheet - Non-Major Governmental Funds | B1 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds | B2 |
| Schedule of Change from Original Budget to Revised Budget - General Fund | B3 |
| Schedule of Use of Beginning Fund Balance - General Fund | B3 |
| Schedule of Project Expenditures - Capital Projects Fund | B4 |
| Schedule of Certain Revenue and Expenditures Compared to ST-3 Data | B5 |
| Invested in Capital Assets, Net of Related Debt | B6 |

SECTION C
SUPPLEMENTARY INFORMATION -
FEDERAL FINANCIAL ASSISTANCE

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

BATAVIA CITY SCHOOL DISTRICT

TABLE OF CONTENTS **(Continued)**

Page

SECTION D **INTERNAL CONTROL AND COMPLIANCE**

| | |
|--|-------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | D1-D2 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | D3-D4 |
| Schedule of Findings and Questioned Costs | D5-D6 |
| Schedule of Prior Year Audit Findings and Questioned Costs | D7 |

SECTION E **EXTRACLASSROOM ACTIVITY**

| | |
|---|-------|
| Independent Auditor's Report on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds | E1-E2 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds | E3-E4 |
| Note to Financial Statement | E5 |
| Summary of Audit Findings | E6-E7 |

SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate fund information of Batavia City School District as of June 30, 2009 and the respective changes in financial position thereof 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 September 22, 2009 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules on pages 1 through 14 and A34 through A35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules, listed in the table of contents as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, 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.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 22, 2009



Freed Maxick & Battaglia, CPAs, PC

Management's Discussion and Analysis Batavia City School District Fiscal Year ended June 30, 2009

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, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2009 are as follows:

- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$1,597,830, and this amount was within the statutory limit.
- General revenues which include Federal and State Aid and Real Property Taxes accounted for \$38,925,338 or 79.5% of all revenues.
- The District continued to fund its retiree health insurance liability for current employees and has a total of \$6,529,088 set aside in the reserve for employee benefit accrued liability to fund this liability along with the retirement incentive liability.
- The District offered a retirement incentive during the year and fully funded the incentive by setting aside \$568,950 in the reserve for employee benefit accrued liability noted above.
- The District tax levy has decreased for a second consecutive year.
- The Governor proposed a mid year cut in NYS State Aid for the 2008-09 fiscal year and for the 2009-10 fiscal year. These cuts were known as Deficit Reduction Assessment (DRA). The State did not act on the proposed DRA in 2008-09 and the budget adopted by New York State restored the proposed cut in education funding by applying the Federal Stimulus funds to the 2009-10 fiscal year budget.

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

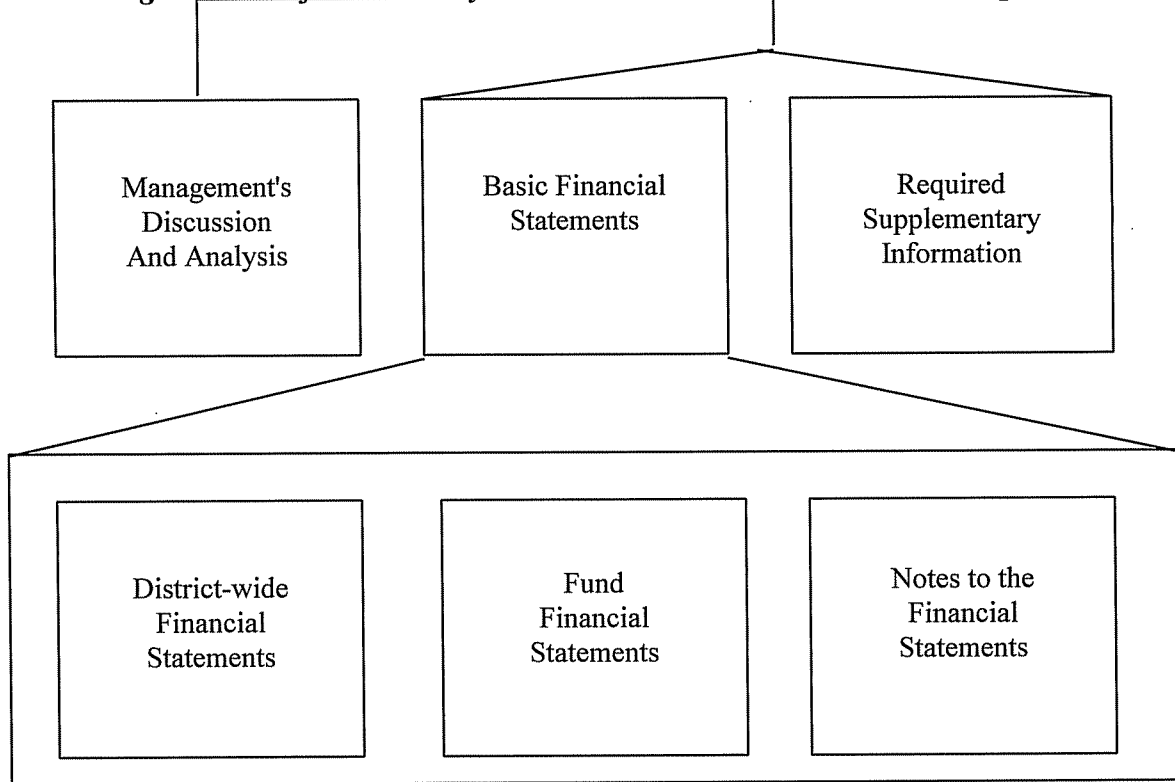


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

| Figure A-2 Major Features of the District-wide and Fund Financial Statements | | | |
|---|--|---|---|
| | | Fund Financial Statements | |
| | District-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except Fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building 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"> • Statement of Net Assets • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Assets - Fiduciary Funds • Statement Changes in Net Assets - Fiduciary Fund |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets 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/out-flow information | All revenues and expenditures during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

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 reflects its capital assets, less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, The District's invested in capital assets, net of related debt was \$19,864,747 and constitute 72.2% of total net assets and 26.1 % of total assets.

The other reserves established by the District are restricted for very specific purposes. The amount that is available from these reserves for spending in the subsequent year is limited to the purpose for which the reserve was established, such as payment of current year retiree health insurance and current year principal and interest payments.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

| | Governmental Activities and Total District | | Total Percentage Change |
|---|---|------------------|-------------------------------|
| | 2009 | 2008 | 2008-2009 |
| Current and other assets | \$ 21,444 | \$ 19,822 | 8.18% |
| Capital assets not being depreciated | 21,405 | 20,677 | 3.52% |
| Capital assets, net of accumulated depreciation | 33,188 | 34,284 | -3.20% |
| Total assets | <u>76,037</u> | <u>74,783</u> | <u>1.68%</u> |
| Long-term liabilities | 46,014 | 47,584 | -3.30% |
| Other liabilities | 2,517 | 2,993 | -15.90% |
| Total liabilities | <u>48,531</u> | <u>50,577</u> | <u>-4.05%</u> |
| Invested in capital assets, net of related debt | 19,865 | 17,001 | 16.85% |
| Restricted for: | | | |
| Tax certiorari | 287 | 283 | 1.41% |
| Unemployment insurance | 742 | 753 | -1.46% |
| Employee benefit accrued liability | 6,529 | 4,499 | 45.12% |
| Repairs | 201 | 100 | 101.00% |
| Capital projects | 715 | 831 | -13.96% |
| Debt Service | 4,269 | 4,310 | -0.95% |
| Retirement contribution | 300 | - | 100.00% |
| Unrestricted (deficit) | <u>(5,402)</u> | <u>(3,571)</u> | <u>51.27%</u> |
| Total net assets | <u>\$ 27,506</u> | <u>\$ 24,206</u> | <u>13.63%</u> |

In the current year the significant changes in capital assets, not being depreciated is primarily attributed to the construction projects in process at June 30, 2009.

Figure A-4

Changes in Net Assets
(in thousands of dollars)

| | <u>Governmental Activities and Total District</u> | | <u>Total Percentage Change</u> |
|--|---|-----------------|--|
| | <u>2009</u> | <u>2008</u> | <u>2008-2009</u> |
| Revenues: | | | |
| Real property taxes | \$ 17,986 | \$ 18,351 | -1.99% |
| Real property tax items | 559 | 602 | -7.14% |
| Non-property taxes | 1,524 | 1,033 | 47.53% |
| Charges for services | 162 | 245 | -33.88% |
| Use of money and property | 331 | 860 | -61.51% |
| Miscellaneous | 600 | 549 | 9.29% |
| Sale of property and compensation for loss | 138 | 10 | 1280.00% |
| State and federal aid | 27,260 | 26,675 | 2.19% |
| School lunch | 429 | 399 | 7.52% |
| Total revenues | <u>48,989</u> | <u>48,724</u> | <u>0.54%</u> |
| Expenses: | | | |
| General support | 5,696 | 5,786 | -1.56% |
| Instruction | 33,993 | 31,631 | 7.47% |
| Transportation | 1,195 | 991 | 20.59% |
| Culture and recreation | 1,044 | 943 | 10.71% |
| Debt service | 1,361 | 1,506 | -9.63% |
| Capital outlay | - | 83 | -100.00% |
| School lunch | 1,083 | 885 | 22.37% |
| Depreciation | 1,317 | 1,307 | 0.77% |
| Total expenses | <u>45,689</u> | <u>43,132</u> | <u>5.93%</u> |
| Change in net assets | <u>\$ 3,300</u> | <u>\$ 5,592</u> | <u>-40.99%</u> |

Figure A-5

Sources of Revenues for Fiscal Year 2009

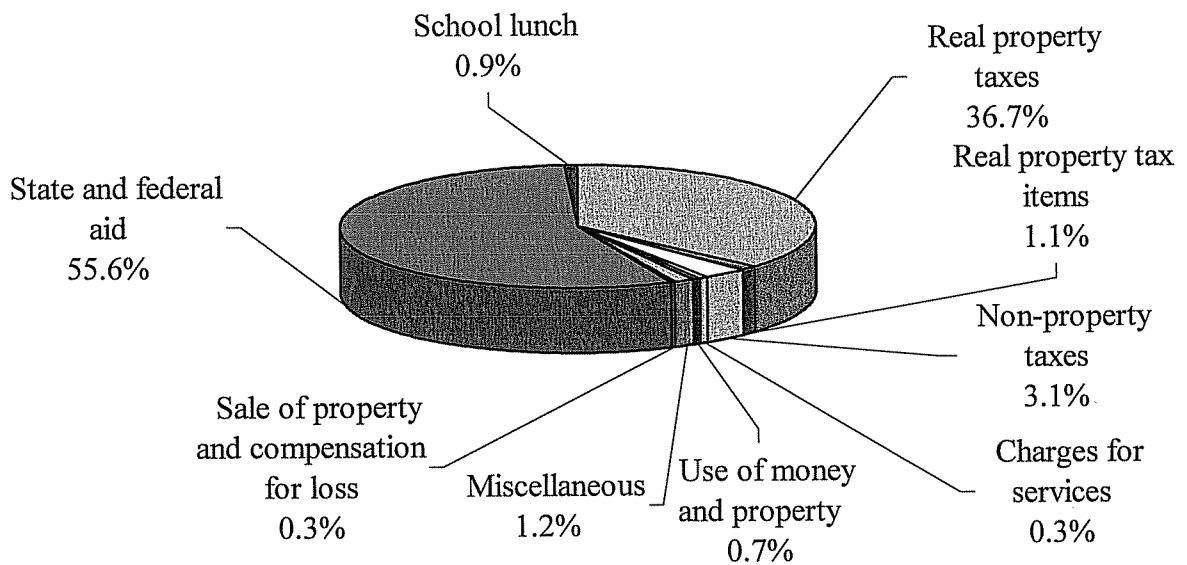
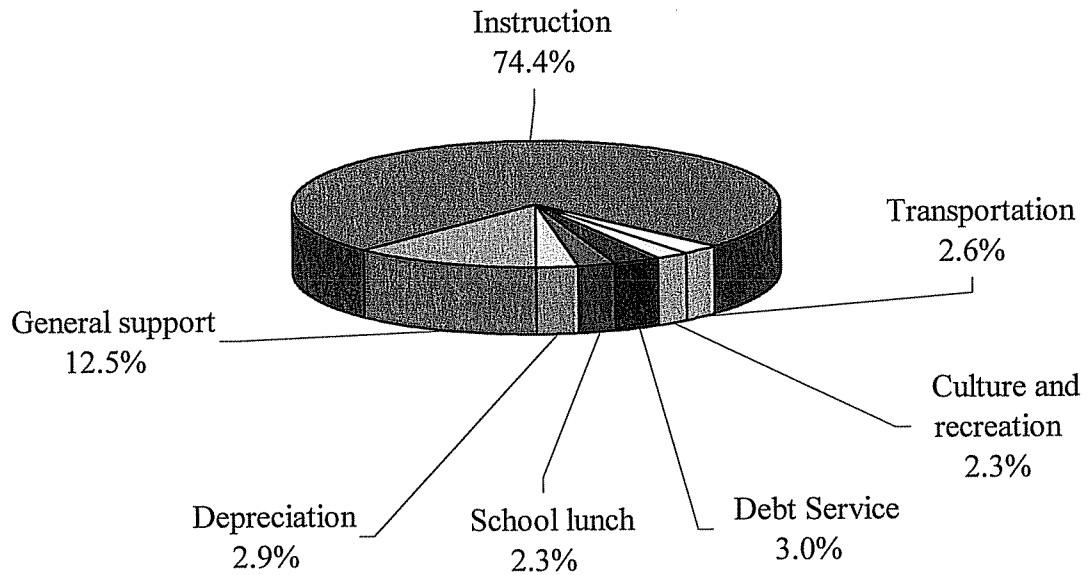


Figure A-6

Expenses for Fiscal Year 2009



Governmental Activities

This section presents the cost of eight major District activities: general support, instruction, pupil transportation, culture and recreation, debt service, capital outlay, depreciation and school lunch. 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 2009

Net Cost of Governmental Activities (in thousands of dollars)

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------------|---------------------------|------------------|-----------------------------------|-------------------------|------------------|-----------------------------------|
| | 2009 | 2008 | Percentage Change 2008-2009 | 2009 | 2008 | Percentage Change 2008-2009 |
| General support | \$ 5,696 | \$ 5,786 | -1.56% | \$ 5,568 | \$ 5,658 | -1.59% |
| Instruction | 33,993 | 31,631 | 7.47% | 25,795 | 23,838 | 8.21% |
| Pupil transportation | 1,195 | 991 | 20.59% | 517 | 365 | 41.64% |
| Culture and recreation | 1,044 | 943 | 10.71% | 1,044 | 943 | 10.71% |
| Debt service | 1,361 | 1,506 | -9.63% | 1,361 | 1,506 | -9.63% |
| Capital outlay | - | 83 | -100.00% | - | 82 | -100.00% |
| School lunch | 1,083 | 885 | 22.37% | 23 | (98) | 123.47% |
| Depreciation | 1,317 | 1,307 | 0.77% | 1,317 | 1,307 | 0.77% |
| Total | <u>\$ 45,689</u> | <u>\$ 43,132</u> | <u>5.93%</u> | <u>\$ 35,625</u> | <u>\$ 33,601</u> | <u>6.02%</u> |

Financial Analysis of The District's Funds

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

Governmental Funds:

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

At the end of the current fiscal year, the District's governmental funds inclusive of capital funds, reported combined fund balances of \$18,461,128. Of this amount, \$4,068,615 constitutes unreserved fund balance, of which \$1,978,700 has been designated for subsequent years' expenditures and represents the amount estimated for use in the 2009-2010 budget . The remainder of the fund balance, \$14,392,513, 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 \$1,348,986; a reserve for tax certiorari proceedings of \$286,810; a reserve for unemployment insurance of \$741,975; a reserve for employee benefit accrued liability of \$6,529,090; a reserve for repairs of \$201,164, a capital projects reserve of \$715,205, a reserve for debt service of \$4,269,283 and a reserve for retirement contribution of \$300,000.

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 \$13,054,612, of which \$1,597,830 or 4.0% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount of unreserved fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund increased by \$2,411,535.

Figure A-8

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

| | 2009 | | |
|-----------------------|-----------------|---------------------|----------------------|
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 40,279 | \$ 37,868 | \$ 13,055 |
| Capital Projects Fund | 287 | 728 | 320 |
| Debt Service Fund | 4,509 | 4,550 | 4,269 |
| School Lunch Fund | 1,065 | 1,083 | 191 |
| Special Aid Fund | 2,040 | 2,040 | - |
| Library Fund | 1,316 | 1,255 | 626 |
| 2008 | | | |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 39,029 | \$ 37,374 | \$ 10,644 |
| Capital Projects Fund | 14,366 | 5,049 | 761 |
| Debt Service Fund | 4,333 | 5,195 | 4,310 |
| School Lunch Fund | 988 | 1,044 | 209 |
| Special Aid Fund | 2,160 | 2,160 | - |
| Library Fund | 1,261 | 1,166 | 565 |

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

| ASSETS | |
|---|-----------------------|
| Cash and cash equivalents | \$ 12,201,564 |
| Cash and cash equivalents - restricted | 4,311,627 |
| State and federal aid receivable | 2,403,788 |
| Taxes receivable | 729,832 |
| Accounts receivable | 251,830 |
| Due from other governments | 1,168,732 |
| Due from fiduciary funds | 261,620 |
| Prepaid expenses | 89,400 |
| Inventory | 26,263 |
| Capital assets not being depreciated | 21,404,936 |
| Capital assets, net of accumulated depreciation | <u>33,187,655</u> |
| Total assets | <u>76,037,247</u> |

| LIABILITIES AND NET ASSETS | |
|----------------------------------|-----------------------|
| LIABILITIES: | |
| Accounts payable | 203,626 |
| Retainage payable | 24,423 |
| Accrued liabilities | 487,478 |
| Accrued interest payable | 184,198 |
| Due to other governments | 1,591 |
| Deferred revenue | 100,686 |
| Due to retirement systems | 1,515,176 |
| Long-term liabilities: | |
| Due and payable within one year: | |
| Serial bonds payable | 3,220,000 |
| Compensated absences | 561,465 |
| Due and payable after one year: | |
| Serial bonds payable | 31,565,000 |
| Compensated absences | <u>10,667,827</u> |
| Total liabilities | <u>48,531,470</u> |

| | |
|---|--------------------------|
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 19,864,747 |
| Restricted for: | |
| Tax certiorari | 286,810 |
| Unemployment insurance | 741,975 |
| Employee benefit accrued liability | 6,529,090 |
| Repairs | 201,164 |
| Capital projects | 715,205 |
| Debt service | 4,269,283 |
| Retirement contribution | 300,000 |
| Unrestricted (deficit) | <u>(5,402,497)</u> |
| Total net assets | <u>\$ 27,505,777</u> |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| | Expenses | Indirect Cost Allocation | Program Revenues | | Net (Expense) Revenues and Changes in Net Assets |
|---|---------------|--------------------------------|-------------------------|--|---|
| | | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | | |
| General support | \$ 4,778,813 | \$ 917,475 | \$ 120,793 | \$ - | \$ (5,575,495) |
| Instruction | 25,762,162 | 8,231,086 | 41,227 | 8,156,667 | (25,795,354) |
| Pupil transportation | 1,168,341 | 25,680 | - | 677,898 | (516,123) |
| Culture and recreation | 1,044,394 | - | - | 6,807 | (1,037,587) |
| Debt service | 1,360,819 | - | - | - | (1,360,819) |
| School lunch | 1,083,054 | - | 429,269 | 630,919 | (22,866) |
| Unallocated employee benefits | 9,174,241 | (9,174,241) | - | - | - |
| Unallocated depreciation | 1,316,939 | - | - | - | (1,316,939) |
| Total governmental activities | \$ 45,688,763 | \$ - | \$ 591,289 | \$ 9,472,291 | (35,625,183) |
| General revenues: | | | | | |
| Real property taxes | | | | | 17,986,292 |
| Real property tax items | | | | | 559,008 |
| Non-property taxes | | | | | 1,523,656 |
| Use of money and property | | | | | 330,622 |
| Sale of property and compensation for loss | | | | | 138,628 |
| State and federal aid not restricted for a specific purpose | | | | | 17,787,624 |
| Other miscellaneous revenues | | | | | 599,508 |
| Total general revenues | | | | | 38,925,338 |
| Change in net assets | | | | | 3,300,155 |
| Net assets - beginning of year | | | | | 24,205,622 |
| Net assets - end of year | | | | | \$ 27,505,777 |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

| | General | Debt Service | Special Aid | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|-------------------|------------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 11,298,243 | \$ - | 2,572 | \$ 900,749 | \$ 12,201,564 |
| Cash and cash equivalents - restricted | - | 4,254,471 | - | 57,156 | 4,311,627 |
| State and federal aid receivable | 1,379,051 | - | 975,716 | 49,021 | 2,403,788 |
| Taxes receivable | 729,832 | - | - | - | 729,832 |
| Accounts receivable | 227,488 | - | 226 | 24,116 | 251,830 |
| Due from other governments | 1,168,732 | - | - | - | 1,168,732 |
| Due from other funds | 1,345,903 | 14,812 | 187 | 303,025 | 1,663,927 |
| Prepaid expenses | 89,400 | - | - | - | 89,400 |
| Inventory | - | - | - | 26,263 | 26,263 |
| Total assets | \$ 16,238,649 | \$ 4,269,283 | \$ 978,701 | \$ 1,360,330 | \$ 22,846,963 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Accounts payable | \$ 201,707 | \$ - | 1,247 | 672 | \$ 203,626 |
| Retainage payable | - | - | - | 24,423 | 24,423 |
| Accrued liabilities | 458,023 | - | 12,567 | 16,888 | 487,478 |
| Due to other governments | - | - | 486 | 1,105 | 1,591 |
| Due to other funds | 290,610 | - | 961,272 | 150,425 | 1,402,307 |
| Deferred revenue | 84,938 | - | 3,129 | 12,619 | 100,686 |
| Deferred tax revenue | 650,548 | - | - | - | 650,548 |
| Due to retirement systems | 1,498,211 | - | - | 16,965 | 1,515,176 |
| Total liabilities | \$ 3,184,037 | \$ - | \$ 978,701 | \$ 223,097 | \$ 4,385,835 |

See notes to basic financial statements.
A3

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

(Continued)

| | General | Debt Service | Special Aid | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------|--------------|----------------|------------------------------------|--------------------------------|
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 877,201 | - | 137,134 | 334,651 | 1,348,986 |
| Tax certiorari | 286,810 | - | - | - | 286,810 |
| Unemployment insurance | 741,975 | - | - | - | 741,975 |
| Employee benefit accrued liability | 6,529,090 | - | - | - | 6,529,090 |
| Repairs | 201,164 | - | - | - | 201,164 |
| Capital projects | 685,542 | - | - | 29,663 | 715,205 |
| Debt service | - | 4,269,283 | - | - | 4,269,283 |
| Retirement contribution | 300,000 | - | - | - | 300,000 |
| Unreserved: | | | | | |
| Designated for subsequent year's expenditures | 1,835,000 | - | - | 143,700 | 1,978,700 |
| Undesignated (deficit) | 1,597,830 | - | (137,134) | 629,219 | 2,089,915 |
| Total fund balances | 13,054,612 | 4,269,283 | - | 1,137,233 | 18,461,128 |
| Total liabilities and fund balances | \$ 16,238,649 | \$ 4,269,283 | \$ 978,701 | \$ 1,360,330 | \$ 22,846,963 |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Total Governmental Funds | Long-Term Assets/ Liabilities | Reclassifications And Eliminations | Statement of Net Assets Totals |
|---|--------------------------------|-------------------------------------|--|--------------------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 12,201,564 | \$ - | \$ - | 12,201,564 |
| Cash and cash equivalents - restricted | 4,311,627 | - | - | 4,311,627 |
| State and federal aid receivable | 2,403,788 | - | - | 2,403,788 |
| Taxes receivable | 729,832 | - | - | 729,832 |
| Accounts receivables | 251,830 | - | - | 251,830 |
| Due from other governments | 1,168,732 | - | - | 1,168,732 |
| Due from other funds | 1,663,927 | - | (1,402,307) (5) | 261,620 |
| Prepaid expenses | 89,400 | - | - | 89,400 |
| Inventory | 26,263 | - | - | 26,263 |
| Capital assets not being depreciated | - | 21,404,936 (1) | - | 21,404,936 |
| Capital assets, net of accumulated depreciation | - | 33,187,655 (1) | - | 33,187,655 |
| Total assets | \$ 22,846,963 | \$ 54,592,591 | \$ (1,402,307) | \$ 76,037,247 |

LIABILITIES AND FUND BALANCES/NET ASSETS:

| | | | | |
|---------------------------|------------------|-------------------|--------------------|-------------------|
| LIABILITIES: | | | | |
| Accounts payable | \$ 203,626 | \$ - | \$ - | 203,626 |
| Retainage payable | 24,423 | - | - | 24,423 |
| Accrued liabilities | 487,478 | - | - | 487,478 |
| Accrued interest payable | - | 184,198 (3) | - | 184,198 |
| Due to other governments | 1,591 | - | - | 1,591 |
| Due to other funds | 1,402,307 | - | (1,402,307) (5) | - |
| Deferred revenue | 100,686 | - | - | 100,686 |
| Deferred tax revenue | 650,548 | - | (650,548) (4) | - |
| Due to retirement systems | 1,515,176 | - | - | 1,515,176 |
| Serial bonds payable | - | 34,785,000 (2) | - | 34,785,000 |
| Compensated absences | - | 11,229,292 (2) | - | 11,229,292 |
| Total liabilities | 4,385,835 | 46,198,490 | (2,052,855) | 48,531,470 |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

(Continued)

| | Total Governmental Funds | Long-Term Assets/ Liabilities | Reclassifications And Eliminations | Statement of Net Assets Totals |
|-------------------------------------|--------------------------------|-------------------------------------|--|--------------------------------------|
| FUND BALANCES/NET ASSETS: | | | | |
| Total fund balances/net assets | 18,461,128 | 8,394,101 | 650,548 | 27,505,777 |
| Total liabilities and fund balances | \$ 22,846,963 | \$ 54,592,591 | \$ (1,402,307) | \$ 76,037,247 |

- (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 Revenues, Expenditures and Changes in Fund Balances. 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) Interest is accrued and reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because it is not due and payable in the current period.
- (4) Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities.
- (5) Elimination of interfund receivables and payables.

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General | Debt Service | Special Aid | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------|--------------|----------------|------------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Real property taxes | \$ 16,759,190 | \$ - | - | \$ 1,114,952 | \$ 17,874,142 |
| Real property tax items | 559,008 | - | - | - | 559,008 |
| Non-property taxes | 1,523,656 | - | - | - | 1,523,656 |
| Charges for services | 121,187 | - | - | 40,833 | 162,020 |
| Use of money and property | 256,321 | 63,901 | - | 10,400 | 330,622 |
| Sale of property and compensation for loss | 138,628 | - | - | - | 138,628 |
| Miscellaneous local sources | 425,618 | - | 3,267 | 147,217 | 576,102 |
| Interfund revenues | 23,406 | - | - | - | 23,406 |
| State sources | 20,110,462 | 4,130,032 | 432,450 | 39,122 | 24,712,066 |
| Federal sources | 361,349 | - | 1,587,896 | 598,604 | 2,547,849 |
| School lunch | - | - | - | 429,269 | 429,269 |
| Total revenues | 40,278,825 | 4,193,933 | 2,023,613 | 2,380,397 | 48,876,768 |
| EXPENDITURES: | | | | | |
| General support | 4,832,291 | - | - | - | 4,832,291 |
| Instruction | 24,061,662 | - | 1,868,071 | - | 25,929,733 |
| Pupil transportation | 1,135,494 | - | 32,847 | - | 1,168,341 |
| Culture and recreation | - | - | - | 1,044,394 | 1,044,394 |
| Debt service | - | 4,549,850 | - | - | 4,549,850 |
| Capital outlay | - | - | - | 727,426 | 727,426 |
| School lunch | - | - | - | 1,083,054 | 1,083,054 |
| Employee benefits | 7,219,122 | - | 139,416 | 210,529 | 7,569,067 |
| Total expenditures | 37,248,569 | 4,549,850 | 2,040,334 | 3,065,403 | 46,904,156 |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

| | General | Debt Service | Special Aid | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------|--------------|----------------|------------------------------------|--------------------------------|
| Excess (deficit) of revenues over expenditures | 3,030,256 | (355,917) | (16,721) | (685,006) | 1,972,612 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Interfund transfers in | - | 315,000 | 16,721 | 287,000 | 618,721 |
| Interfund transfers out | (618,721) | - | - | - | (618,721) |
| Total other financing sources (uses) | (618,721) | 315,000 | 16,721 | 287,000 | - |
| Net change in fund balances | 2,411,535 | (40,917) | - | (398,006) | 1,972,612 |
| Fund balances - beginning of year | 10,643,077 | 4,310,200 | - | 1,535,239 | 16,488,516 |
| Fund balances - end of year | \$ 13,054,612 | \$ 4,269,283 | \$ - | \$ 1,137,233 | \$ 18,461,128 |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| | Total Governmental Funds | Capital Related Items | Long-Term Debt Transactions | Statement of Activities Totals |
|--|--------------------------------|-----------------------------|-----------------------------------|--------------------------------------|
| REVENUES: | | | | |
| Real property taxes | \$ 17,874,142 | \$ - | \$ 112,150 (6) | \$ 17,986,292 |
| Real property tax items | 559,008 | - | - | 559,008 |
| Non-property taxes | 1,523,656 | - | - | 1,523,656 |
| Charges for services | 162,020 | - | - | 162,020 |
| Use of money and property | 330,622 | - | - | 330,622 |
| Sale of property and compensation for loss | 138,628 | - | - | 138,628 |
| Miscellaneous local sources | 576,102 | - | - | 576,102 |
| Interfund revenue | 23,406 | - | - | 23,406 |
| State sources | 24,712,066 | - | - | 24,712,066 |
| Federal sources | 2,547,849 | - | - | 2,547,849 |
| School lunch | 429,269 | - | - | 429,269 |
| Total revenues | 48,876,768 | - | 112,150 | 48,988,918 |
| EXPENDITURES: | | | | |
| General support | 4,832,291 | (53,478) (1) | - | 4,778,813 |
| Instruction | 25,929,733 | (167,571) (1) | - | 25,762,162 |
| Pupil transportation | 1,168,341 | - | - | 1,168,341 |
| Culture and recreation | 1,044,394 | - | - | 1,044,394 |
| Debt service | 4,549,850 | - | (3,175,000) (3) (14,031) (5) | 1,360,819 |
| Capital outlay | 727,426 | (727,426) (1) | - | - |
| School lunch | 1,083,054 | - | - | 1,083,054 |
| Employee benefits | 7,569,067 | 1,605,174 (2) | - | 9,174,241 |
| Depreciation | - | 1,316,939 (1) | - | 1,316,939 |
| Total expenditures | 46,904,156 | 1,973,638 | (3,189,031) | 45,688,763 |
| Excess (deficit) of revenues over expenditures | 1,972,612 | (1,973,638) | 3,301,181 | 3,300,155 |

See notes to basic financial statements.

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

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

(Continued)

| | Total Governmental Funds | Capital Related Items | Long-Term Debt Transactions | Statement of Activities Totals |
|--|--------------------------------|-----------------------------|-----------------------------------|--------------------------------------|
| OTHER FINANCING SOURCES (USES): | | | | |
| Interfund transfers in | 618,721 | - | (618,721) (4) | - |
| Interfund transfers out | (618,721) | - | 618,721 (4) | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances/net assets | \$ 1,972,612 | \$ (1,973,638) | \$ 3,301,181 | \$ 3,300,155 |

(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 Revenues, Expenditures and Changes in Fund Balances in the year they are purchased. In the district-wide Statement of Activities, the cost of those assets is capitalized and depreciated over their estimated useful lives and reported as depreciation expense.

(2) The funding or use of reserve funds for compensated absences is recorded as a current year expenditure on the district-wide Statement of Activities.

(3) Repayment of bond principal is reported as an expenditure in the fund basis Statement of Revenues, Expenditures and Changes in Fund Balances but is reported as a reduction of long-term liabilities in the district-wide Statement of Net Assets.

(4) Elimination of interfund transfers, funding of reserves and transfers to reserves and serial bond proceeds.

(5) In the district-wide Statement of Activities, interest is accrued on outstanding bonds, whereas in the Statement of Revenues, Expenditures and Changes in Fund Balances an interest expenditure is reported when paid.

(6) Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities.

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2009

| | Private Purpose Trust | Agency |
|--|-----------------------------|------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 594,274 |
| Cash and cash equivalents - restricted | 360,972 | 93,712 |
| Restricted investments | 223,125 | - |
| Accounts receivable | - | 12 |
| | <hr/> | <hr/> |
| Total assets | \$ 584,097 | \$ 687,998 |
| | <hr/> | <hr/> |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | | |
|----------------------------------|-----------|---------|
| Accounts payable | \$ 36,500 | \$ - |
| Agency liabilities | - | 332,666 |
| Extraclassroom activity balances | - | 93,712 |
| Due to other funds | - | 261,620 |
| | <hr/> | <hr/> |
| Total liabilities | 36,500 | 687,998 |

NET ASSETS:

| | | |
|----------------------------------|------------|------------|
| Reserved for scholarships | 547,597 | - |
| | <hr/> | <hr/> |
| Total liabilities and net assets | \$ 584,097 | \$ 687,998 |
| | <hr/> | <hr/> |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

| | Private Purpose Trust |
|---|-----------------------------|
| | <hr/> |
| ADDITIONS: | |
| Interest | \$ 4,887 |
| Gifts and donations | <hr/> 17,754 |
| | <hr/> |
| Total additions | 22,641 |
| | <hr/> |
| DEDUCTIONS: | |
| Scholarships | 55,313 |
| Net decrease in fair value of investments | <hr/> 66,246 |
| | <hr/> |
| Total deductions | 121,559 |
| | <hr/> |
| Change in net assets | (98,918) |
| | <hr/> |
| Net assets - beginning of year | 646,515 |
| | <hr/> |
| Net assets - end of year | \$ <u><u>547,597</u></u> |

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 NYS 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, 2009, the District was billed \$4,646,331 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (either operating or capital) grants.

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

2. Fund financial statements:

The fund financial statements provide information about the District's funds, including fiduciary funds each of which is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue and expenditures. Funds are organized into two categories (governmental and fiduciary) as presented. An emphasis is placed on major governmental funds, within the governmental fund category. All remaining governmental funds are aggregated and reported as non-major governmental funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

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

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

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants.

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

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

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

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, with the exception of property taxes, which the period of availability is sixty days.

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. Taxes are collected during the period of October through December. Uncollected real property taxes are subsequently enforced by the City of Batavia and Genesee County for the Towns of Batavia and Stafford. The City and County 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, 2009 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 Fund. 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 budgets constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur, subject to legal restrictions, if the Board approves them because of a need that exists 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.

The General Fund is the only major fund with a legally approved budget for the fiscal year ended June 30, 2009, and therefore, the only fund required to be presented on the Budgetary Comparison Schedule.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND INVESTMENTS

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

Investments are valued at fair market value as of June 30, 2009.

G. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowings, therefore, unexpended bond proceeds in the Capital Projects and Debt Service Funds are restricted. The Debt Service Fund also consists of cumulative budgetary transfers from the General Fund. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes.

H. 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 management has determined that all accounts receivable are considered collectible.

I. 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.

A Reserve for Inventory has been recognized to signify that portion of fund balance that is not available for other purposes.

J. INTERFUND TRANSACTIONS

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid by the end of the District's fiscal year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. In the district-wide statements, eliminations have been made for all interfund receivables, payables and transfers between funds.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Refer to Note 3., A., 3. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

K. CAPITAL ASSETS

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, 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 |

L. 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.

M. VESTED EMPLOYEE BENEFITS

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, employees may receive a credit to be applied towards health insurance based on unused accumulated sick leave, as provided in contractual agreements.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

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

N. 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.

O. OTHER BENEFITS

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of these premiums is paid by the retiree.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

Q. FUND EQUITY

District-wide statements:

In the district-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net assets - reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors,, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund statements:

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

1. **RESERVED FUND BALANCE**

- a. Reserve for Encumbrances - 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. Reserve for Tax Certiorari - This reserve is used to pay claims and judgments arising out of tax certiorari proceedings.
- c. Reserve for Employee Benefit Accrued Liability - This reserve is used to reserve funds for the payment of accrued employee benefits due to employees upon termination of service.
- d. Reserve for Capital Projects - This reserve is used to finance future construction, reconstruction, or acquisition of capital improvement items or equipment as authorized when the reserve was established.
- e. Reserve for Unemployment Insurance - The District is self-funded for unemployment insurance. The reserve is funded annually through budgetary provisions in the General Fund or through approval by the Board of Education.
- f. Reserve for Debt Service - This reserve is used for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale.
- g. Reserve for Repairs - This reserve is used to pay the cost of certain repairs of capital improvements or equipment.
- h. Reserve for Retirement Contribution - This reserve is used to fund employer retirement contributions, such as any portion of the amount payable by an eligible school district to the New York State and Local Employees' Retirement System (ERS).

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. UNRESERVED FUND BALANCE

Designated for Subsequent Year's Expenditures - The amount of \$1,835,000 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.

R. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

NOTE 2 - REPORTING ON BUDGETARY BASIS

The District reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balance computed on a GAAP basis and budgetary basis.

GAAP BASIS:

| | |
|--|----------------------|
| Fund Balance - June 30, 2009 | \$ 13,054,612 |
| Deduct outstanding encumbrances | <u>877,201</u> |
| BUDGETARY BASIS - Fund balance - June 30, 2009 | <u>\$ 12,177,411</u> |

NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

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

The District's aggregate bank balances were fully collateralized at June 30, 2009.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end consists of \$93,712 in the Agency Fund restricted for extraclassroom activities, \$360,972 in the Private Purpose Trust Fund restricted for scholarships, \$57,156 in the Capital Projects Fund restricted for unspent bond proceeds and \$4,254,471 in the Debt Service Fund restricted for unexpended bond proceeds and cumulative budgetary transfers from the General Fund.

Investment and Deposit Policy

The District implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of the New York State and its localities.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to between 102% and 105% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

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

Investments

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

| | | <u>Cost</u> | <u>Market Value</u> <u>June 30, 2009</u> |
|------|---|-------------|---|
| 198 | Shares Comcast Corporation | \$ - | \$ 2,863 |
| 34 | Shares NCR Corporation | - | 405 |
| 34 | Shares Teradata Corporation | - | 802 |
| 1323 | Shares American Telephone and Telegraph, Inc. | 2,820 | 32,863 |
| 3527 | Shares Putnam Investors Fund, Inc. | 27,852 | 32,839 |
| 68 | Shares Alcatel-Lucent. | 1,141 | 169 |
| 19 | Shares LSI Corporation | - | 87 |
| 3210 | Shares Eastman Kodak | 200,000 | 9,502 |
| 144 | Shares Bank of America | 5,452 | 1,901 |
| 638 | Shares Verizon | 5,498 | 19,606 |
| 31 | Shares Idearc, Inc. | - | 1 |
| 12 | Shares Fairport Communications | - | 7 |
| 3579 | Shares JP Morgan Chase | 24,319 | 122,080 |
| | | | <u>\$ 223,125</u> |

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

For the year ended June 30, 2009, the District recognized an unrealized loss of \$66,246.

2. RECEIVABLES

Major revenues accrued by the District include the following:

Accounts and taxes receivable consists of the following at June 30, 2009:

General Fund:

Accounts receivable

| | |
|-----------------------------------|---------------|
| Tuition receivable | \$ 52,092 |
| Health services to other District | 72,643 |
| PILOT receivable | 75,730 |
| Miscellaneous | <u>27,023</u> |
| | 227,488 |

| | |
|------------------|----------------|
| Taxes receivable | <u>729,832</u> |
|------------------|----------------|

| | |
|--------------------|-------------------|
| Total General Fund | \$ <u>957,320</u> |
|--------------------|-------------------|

| | |
|------------------|---------------|
| Special Aid Fund | \$ <u>226</u> |
|------------------|---------------|

State and federal aid receivable, consist of the following at June 30, 2009:

General Fund:

| | |
|-------------------------|--------------------|
| State aid - general aid | \$ 706,251 |
| State aid - excess aid | <u>672,800</u> |
| | <u>\$1,379,051</u> |

Special Aid Fund:

| | |
|----------------------------|-------------------|
| Section 611 | \$ 464,078 |
| Title I | 213,425 |
| Universal Pre-Kindergarten | 157,016 |
| Summer school | 91,624 |
| Miscellaneous | <u>49,573</u> |
| | <u>\$ 975,716</u> |

Due from other governments, consist of the following at June 30, 2009:

General Fund:

| | |
|---------------|--------------------|
| BOCES aid | \$ 1,163,313 |
| Miscellaneous | <u>5,419</u> |
| Total | <u>\$1,168,732</u> |

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

3. INTERFUND ACTIVITY

Interfund balances and activity at June 30, 2009 are as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|-----------------------|----------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$1,345,903 | \$ 290,610 | \$ - | \$ 618,721 |
| Public Library Fund | 2,920 | 18,079 | - | - |
| School Lunch Fund | 13,105 | 13,049 | - | - |
| Special Aid Fund | 187 | 961,272 | 16,721 | - |
| Capital Projects Fund | 287,000 | 119,297 | 287,000 | - |
| Debt Service Fund | 14,812 | - | 315,000 | - |
| Agency Fund | - | 261,620 | - | - |
| Total | <u>\$1,663,927</u> | <u>\$1,663,927</u> | <u>\$618,721</u> | <u>\$ 618,721</u> |

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

Interfund receivables and payables were incurred primarily due to repayment for salary expenses paid by the General Fund on behalf of the Special Aid Fund. Also, there were board authorized transfers from the General Fund to the Capital Projects Fund that had not occurred prior to year end.

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

| | <u>Balance 6/30/08</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Balance 6/30/09</u> |
|---|----------------------------|------------------|---|----------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 2,252,349 | \$ - | \$ - | \$ 2,252,349 |
| Construction in progress | <u>18,425,161</u> | <u>727,426</u> | - | <u>19,152,587</u> |
| Total capital assets, not being depreciated | <u>20,677,510</u> | <u>727,426</u> | - | <u>21,404,936</u> |
| Capital assets that are depreciated: | | | | |
| Buildings | 54,752,167 | 219,022 | - | 54,971,189 |
| Furniture and equipment | <u>2,608,053</u> | <u>2,027</u> | - | <u>2,610,080</u> |
| Total capital assets, being depreciated | <u>57,360,220</u> | <u>221,049</u> | - | <u>57,581,269</u> |

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

| | Balance 6/30/08 | Additions | Retirements/ Reclassifications | Balance 6/30/09 |
|--|--------------------|--------------|-----------------------------------|--------------------|
| Less accumulated depreciation: | | | | |
| Buildings | 21,616,179 | 1,201,219 | - | 22,817,398 |
| Furniture and equipment | 1,460,496 | 115,720 | - | 1,576,216 |
| Total accumulated depreciation | 23,076,675 | 1,316,939 | - | 24,393,614 |
| Total capital assets, being depreciated, net | 34,283,545 | (1,095,890) | - | 33,187,655 |
| Governmental activities capital assets, net | \$54,961,055 | \$ (368,464) | \$ - | \$54,592,591 |

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 New York State Teachers' Retirement System 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 New York State Retirement and Social Security Law (NYSRSSL) 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, 110 State Street, Albany, NY 12244.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

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.

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> |
|------|------------|-------------|
| 2009 | \$ 423,484 | \$1,530,008 |
| 2008 | 492,956 | 1,509,905 |
| 2007 | 485,629 | 1,389,948 |

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

2. INDEBTEDNESS

- a. **SERIAL BONDS** - The District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded as a liability in the government-wide statements and expenditures in the fund financial statements. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$1,360,819 of expenditures for long-term debt interest.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

- b. The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

| | <u>Balance</u> <u>6/30/08</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Balance</u> <u>6/30/09</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|----------------------------------|-------------------------|------------------------|----------------------------------|--------------------------------------|
| General obligation debt: | | | | | |
| Serial bonds | \$37,960,000 | \$ - | \$3,175,000 | \$34,785,000 | \$3,220,000 |
| Other long-term debt: | | | | | |
| Compensated absences | <u>9,624,118</u> | <u>2,093,778</u> | <u>488,604</u> | <u>11,229,292</u> | <u>561,465</u> |
| Total long-term liabilities | <u>\$47,584,118</u> | <u>\$ 2,093,778</u> | <u>\$3,663,604</u> | <u>\$46,014,292</u> | <u>\$3,781,465</u> |

- c. The following is a summary of maturity of indebtedness:

| <u>Description</u> | <u>Issue Date</u> | <u>Final</u> <u>Maturity</u> | <u>Interest Rate</u> | <u>Outstanding at</u> <u>6/30/09</u> |
|----------------------|-------------------|---------------------------------|----------------------|---|
| Serial bonds payable | 05/15/03 | 05/15/18 | Various | \$ 6,940,000 |
| | 12/14/02 | 06/15/14 | Various | 3,940,000 |
| | 03/15/04 | 03/15/19 | Various | 10,955,000 |
| | 11/01/07 | 06/15/22 | Various | <u>12,950,000</u> |
| Total | | | | <u>\$ 34,785,000</u> |

Interest rates are set at the time of the debt issuance and vary throughout the maturity of the debt.

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

| <u>Fiscal</u> <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|-------------------------|------------------------|
| 2010 | \$ 3,220,000 | \$1,272,250 |
| 2011 | 3,315,000 | 1,166,437 |
| 2012 | 3,445,000 | 1,053,989 |
| 2013 | 3,470,000 | 935,412 |
| 2014 | 3,605,000 | 812,562 |
| 2015-2019 | 14,750,000 | 2,278,901 |
| 2020-2022 | <u>2,980,000</u> | <u>239,000</u> |
| Total | <u>\$34,785,000</u> | <u>\$7,758,551</u> |

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES

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 is a public entity risk pool which provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The District is one of 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 to participate in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan 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, 2009 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in an exact amount. Estimated claim liability is calculated based on actuarial and statistical information, which reflects recent settlements and other social and economic factors, as well as past experience.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - FUTURE GASB PRONOUNCEMENTS

A. ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The District is required to adopt the provisions of Statement No. 51 for the year ended June 30, 2010. However, it is anticipated that the implementation of this standard will not have a material effect on the District's financial statements.

B. FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will be effective for the District beginning with its year ending June 30, 2011. Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned and unassigned.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - FUTURE GASB PRONOUNCEMENTS (Continued)

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. GASB Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

NOTE 6 - SUBSEQUENT EVENT

The operations of the Richmond Memorial Library (the Library) are governed by a Board of Trustees that is separate from the Batavia City School District Board of Education. Board members have the authority to make decisions, power to appoint management and primary accountability for all fiscal matters. On July 13, 2009 the District authorized the separation of the Richmond Memorial Library from the reporting entity of Batavia City School District. As of July 1, 2009 the Richmond Memorial Library will be reported as a separate legal entity.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

| | Original Budget | Amended Budget | Current Year's Revenues | Over (Under) Amended Budget |
|--|--------------------|-------------------|----------------------------|--------------------------------|
| REVENUES: | | | | |
| Local sources: | | | | |
| Real property taxes | \$ 16,916,827 | \$ 16,871,827 | \$ 16,759,190 | \$ (112,637) |
| Real property tax items | 484,200 | 484,200 | 559,008 | 74,808 |
| Non-property tax items | 960,000 | 960,000 | 1,523,656 | 563,656 |
| Charges for services | 107,875 | 107,875 | 121,187 | 13,312 |
| Use of money and property | 391,475 | 391,475 | 256,321 | (135,154) |
| Sale of property and compensation for loss | 1,500 | 133,062 | 138,628 | 5,566 |
| Miscellaneous/local sources | 480,000 | 480,000 | 425,618 | (54,382) |
| Interfund revenues | - | - | 23,406 | 23,406 |
| State sources: | | | | |
| Basic formula | 16,362,039 | 16,362,039 | 17,532,390 | 1,170,351 |
| BOCES | 2,222,700 | 2,222,700 | 2,222,700 | - |
| Other | 271,107 | 271,107 | 355,372 | 84,265 |
| Federal sources | 78,000 | 78,000 | 361,349 | 283,349 |
| Total revenues | 38,275,723 | 38,362,285 | 40,278,825 | 1,916,540 |
| Other sources: | | | | |
| Appropriated fund balance | 2,555,688 | 2,756,126 | - | (2,756,126) |
| Total revenues and other sources | \$ 40,831,411 | \$ 41,118,411 | \$ 40,278,825 | \$ (839,586) |

See independent auditor's report.
A34

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

| | Original Budget | Amended Budget | Current Year's Expenditures | Encumbrances | Unencumbered Balances |
|--|--------------------|-------------------|--------------------------------|--------------|--------------------------|
| EXPENDITURES: | | | | | |
| General support: | | | | | |
| Board of education | \$ 13,036 | \$ 25,736 | \$ 19,535 | \$ 3,494 | \$ 2,707 |
| Central administration | 245,394 | 248,926 | 215,329 | 3,497 | 30,100 |
| Finance | 768,441 | 663,463 | 539,027 | 26,573 | 97,863 |
| Staff | 234,262 | 259,246 | 216,252 | (315) | 43,309 |
| Central services | 3,574,789 | 3,450,994 | 3,077,083 | 167,354 | 206,557 |
| Special items | 1,057,131 | 845,043 | 765,068 | - | 79,975 |
| Instruction: | | | | | |
| Instruction, administration and improvements | 1,401,372 | 1,457,456 | 1,404,000 | 4,703 | 48,753 |
| Teaching - regular school | 14,212,262 | 14,182,422 | 13,485,810 | 134,647 | 561,965 |
| Programs for children with handicaps | 4,209,085 | 4,640,180 | 3,963,537 | 92,639 | 584,004 |
| Occupational education | 908,171 | 740,984 | 704,025 | - | 36,959 |
| Instructional media | 2,968,417 | 3,247,691 | 2,713,350 | 418,441 | 115,900 |
| Pupil services | 1,796,349 | 1,926,749 | 1,790,940 | 24,026 | 111,783 |
| Pupil transportation | 1,143,299 | 1,364,317 | 1,135,493 | 2,142 | 226,682 |
| Employee benefits | 7,959,403 | 7,438,204 | 7,219,120 | - | 219,084 |
| Total expenditures | 40,491,411 | 40,491,411 | 37,248,569 | 877,201 | 2,365,641 |
| Other uses: | | | | | |
| Interfund transfers out | 340,000 | 627,000 | 618,721 | - | 8,279 |
| Total expenditures and other uses | \$ 40,831,411 | \$ 41,118,411 | 37,867,290 | 877,201 | \$ 2,373,920 |
| Net change in fund balance | | | \$ 2,411,535 | | |

See independent auditor's report.
A35

SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

| | Public Library | School Lunch | Capital Projects | Total |
|---|-------------------|-------------------|---------------------|---------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 673,987 | \$ 124,657 | \$ 102,105 | \$ 900,749 |
| Cash and cash equivalents - restricted | - | - | 57,156 | 57,156 |
| State and federal aid receivable | 2,344 | 46,677 | - | 49,021 |
| Accounts receivable | - | 2,541 | 21,575 | 24,116 |
| Due from other funds | 2,920 | 13,105 | 287,000 | 303,025 |
| Inventory | - | 26,263 | - | 26,263 |
| | <u>-</u> | <u>26,263</u> | <u>-</u> | <u>26,263</u> |
| Total assets | \$ <u>679,251</u> | \$ <u>213,243</u> | \$ <u>467,836</u> | \$ <u>1,360,330</u> |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 672 | \$ - | \$ - | \$ 672 |
| Retainage payable | - | - | 24,423 | 24,423 |
| Accrued liabilities | 10,513 | 2,678 | 3,697 | 16,888 |
| Due to other governments | - | 1,105 | - | 1,105 |
| Due to other funds | 18,079 | 13,049 | 119,297 | 150,425 |
| Deferred revenue | 12,619 | - | - | 12,619 |
| Due to retirement systems | 11,465 | 5,500 | - | 16,965 |
| | <u>53,348</u> | <u>22,332</u> | <u>147,417</u> | <u>223,097</u> |
| Total liabilities | <u>53,348</u> | <u>22,332</u> | <u>147,417</u> | <u>223,097</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | - | 334,651 | 334,651 |
| Capital projects | 29,663 | - | - | 29,663 |
| Unreserved: | | | | |
| Designated for subsequent year's expenditures | 55,000 | 88,700 | - | 143,700 |
| Undesignated (deficit) | 541,240 | 102,211 | (14,232) | 629,219 |
| Total fund balances | <u>625,903</u> | <u>190,911</u> | <u>320,419</u> | <u>1,137,233</u> |
| Total liabilities and fund balances | \$ <u>679,251</u> | \$ <u>213,243</u> | \$ <u>467,836</u> | \$ <u>1,360,330</u> |

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>Public Library</u> | <u>School Lunch</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|---------------------------|-------------------------|-----------------------------|---------------------|
| REVENUES: | | | | |
| Real property taxes | \$ 1,114,952 | \$ - | \$ - | \$ 1,114,952 |
| Charges for services | 40,833 | - | - | 40,833 |
| Use of money and property | 9,233 | 1,167 | - | 10,400 |
| Miscellaneous local sources | 143,917 | 3,300 | - | 147,217 |
| State sources | 6,807 | 32,315 | - | 39,122 |
| Federal sources | - | 598,604 | - | 598,604 |
| School lunch | - | 429,269 | - | 429,269 |
| | <u>1,315,742</u> | <u>1,064,655</u> | <u>-</u> | <u>2,380,397</u> |
| Total revenues | | | | |
| EXPENDITURES: | | | | |
| Culture and recreation | 1,044,394 | - | - | 1,044,394 |
| Capital outlay | - | - | 727,426 | 727,426 |
| School lunch | - | 1,083,054 | - | 1,083,054 |
| Employee benefits | 210,529 | - | - | 210,529 |
| | <u>1,254,923</u> | <u>1,083,054</u> | <u>727,426</u> | <u>3,065,403</u> |
| Total expenditures | | | | |
| Excess (deficit) of revenues over expenditures | 60,819 | (18,399) | (727,426) | (685,006) |
| OTHER FINANCING SOURCES: | | | | |
| Interfund transfers in | - | - | 287,000 | 287,000 |
| | <u>-</u> | <u>-</u> | <u>287,000</u> | <u>287,000</u> |
| Total other financing sources | | | | |
| Net change in fund balances | 60,819 | (18,399) | (440,426) | (398,006) |
| Fund balances - beginning of year | 565,084 | 209,310 | 760,845 | 1,535,239 |
| | <u>565,084</u> | <u>209,310</u> | <u>760,845</u> | <u>1,535,239</u> |
| Fund balances - end of year | \$ <u>625,903</u> | \$ <u>190,911</u> | \$ <u>320,419</u> | \$ <u>1,137,233</u> |

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET
TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

| | |
|--------------------|----------------------|
| Adopted budget | \$ 39,410,723 |
| Additions: | |
| Encumbrances | <u>1,420,688</u> |
| Original budget | 40,831,411 |
| Budget revision: | |
| Interfund transfer | <u>287,000</u> |
| Amended budget | \$ <u>41,118,411</u> |

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF USE OF BEGINNING FUND
BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

| | |
|---|---------------------|
| A909 Fund balance as of beginning of year (unreserved) | \$ 2,756,240 |
| Less: | |
| A599 Appropriated fund balance used for levy of taxes | <u>1,180,000</u> |
| Fund balance (undesignated) | \$ <u>1,576,240</u> |

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2009

| Project Title | Original Appropriations | Revised Appropriations | Capital Expenditures | | | Unexpended Balance | Proceeds of Obligations | Methods of Financing | | | Fund Balance 06/30/09 |
|--|----------------------------|---------------------------|----------------------|-------------------|----------------------|-----------------------|----------------------------|----------------------|-------------------|----------------------|-----------------------------|
| | | | Prior Years | Current Year | Total | | | State Aid | Local Sources | Total | |
| John Kennedy School - Renovation | \$ 10,100,077 | \$ 10,100,077 | \$ 10,064,435 | \$ - | \$ 10,064,435 | \$ 35,642 | \$ 10,000,000 | \$ - | \$ 100,077 | \$ 10,100,077 | \$ 35,642 |
| Robert Morris School - Renovation | 1,083,836 | 1,889,928 | 1,867,779 | (69,290) | 1,798,489 | 91,439 | 1,798,489 | - | - | 1,798,489 | - |
| Richmond Memorial Library - Renovation | 482,302 | 770,500 | 232,803 | 506,031 | 738,834 | 31,666 | 770,500 | - | - | 770,500 | 31,666 |
| Middle School - Renovation | 12,799,662 | 12,793,570 | 11,708,153 | 63,168 | 11,771,321 | 1,022,249 | 9,880,056 | 1,916,755 | - | 11,796,811 | 25,490 |
| High School - Renovation | 18,994,385 | 18,064,543 | 17,896,405 | - | 17,896,405 | 168,138 | 17,950,000 | - | 114,543 | 18,064,543 | 168,138 |
| Wireless Technology Upgrade | 5,338,350 | 5,048,881 | - | 174,018 | 174,018 | 4,874,863 | - | - | - | - | (174,018) |
| Buildings & Grounds | 639,102 | 639,102 | - | 53,499 | 53,499 | 585,603 | - | - | 287,000 | 287,000 | 233,501 |
| Total | \$ 49,437,714 | \$ 49,306,601 | \$ 41,769,575 | \$ 727,426 | \$ 42,497,001 | \$ 6,809,600 | \$ 40,399,045 | \$ 1,916,755 | \$ 501,620 | \$ 42,817,420 | \$ 320,419 |

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND
EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>ST-3</u> <u>Account Code</u> | <u>Audited</u> <u>Amount</u> | <u>ST-3</u> <u>Amount</u> |
|--------------------------|------------------------------------|---------------------------------|------------------------------|
| REVENUES: | | | |
| Property Taxes | A-1001 | \$13,223,804 | \$13,223,804 |
| Non Property Taxes | AT-1199 | 1,523,656 | 1,523,656 |
| State Aid | AT-3999 | 20,110,462 | 20,110,462 |
| Federal Aid | AT-4999 | 361,349 | 361,349 |
| Total Revenues | AT-5999 | 40,278,825 | 40,278,825 |
| EXPENDITURES: | | | |
| General Support | AT-1999 | \$ 4,832,291 | \$ 4,832,291 |
| Pupil Transportation | AT-5599 | 1,135,494 | 1,135,494 |
| Debt Service - Principal | AT-9798.6 | - | - |
| Debt Service - Interest | AT-9798.7 | - | - |
| Total Expenditures | AT-9999 | 37,867,290 | 37,867,290 |

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2009

| | | | |
|---|-------------------|-------------------|----------------------|
| Capital assets, net | | | \$ 54,592,591 |
| Add: | | | |
| Unspent bond proceeds - Capital Projects Fund | | | 57,156 |
| Deduct: | | | |
| Current portion of serial bonds payable | 3,220,000 | | |
| Long-term portion of serial bonds payable | <u>31,565,000</u> | <u>34,785,000</u> | |
| Invested in capital assets, net of related debt | | | \$ <u>19,864,747</u> |

See independent auditor's report.

SECTION C

SUPPLEMENTARY INFORMATION -

FEDERAL FINANCIAL ASSISTANCE

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Disbursements/ Expenditures</u> |
|--|--------------------------------|---|--|
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Direct Programs:</i> | | | |
| None | | | |
| <i>Passed through New York State Bureau of School Food Management:</i> | | | |
| Food Distribution | 10.555 | N/A | \$ 79,215 |
| National School Lunch Program | 10.555 | N/A | 404,334 |
| National School Breakfast Program | 10.553 | N/A | <u>115,055</u> |
| Total U.S. Department of Agriculture | | | <u>598,604</u> |
| <u>U.S. Department of Education</u> | | | |
| <i>Direct Programs:</i> | | | |
| None | | | |
| <i>Passed through the State Education Department of the State of New York:</i> | | | |
| Educationally Deprived Children - | | | |
| Local Education Agencies Title I - 2008-2009 | 84.010* | 0021-09-1000 | 452,644 |
| 2007-2008 | 84.010* | 0021-08-1000 | 227,462 |
| Local Educational Agencies | | | |
| Title V of ESEA | | | |
| 2007-2008 | 84.298 | 0002-08-1000 | 146 |
| Education of the Handicapped (Section 611) | | | |
| 2008-2009 | 84.027 | 0032-09-0276 | 621,666 |
| 2007-2008 | 84.027 | 0032-08-0276 | 140,835 |
| ESEA Title IIA | | | |
| 2008-2009 | 84.367 | 0147-09-1000 | 42,514 |
| 2007-2008 | 84.367 | 0147-08-1000 | 22,828 |
| Drug-Free Schools and Communities - Title IV | | | |
| 2008-2009 | 84.186 | 0180-09-1000 | 11,815 |
| 2007-2008 | 84.186 | 0180-08-1000 | 931 |
| Handicapped-State Grants - Part B, | | | |
| Education of the Handicapped (Section 619) | | | |
| 2008-2009 | 84.173 | 0033-09-0276 | 43,317 |
| 2007-2008 | 84.173 | 0033-08-0276 | 15,277 |
| Title IID Enhancing Education | | | |
| 2008-2009 | 84.318 | 0292-09-1000 | 1,066 |
| 2007-2008 | 84.318 | 0292-08-1000 | <u>7,395</u> |
| Total U.S. Department of Education | | | <u>1,587,896</u> |
| Total Expenditures of Federal Awards | | | <u>\$2,186,500</u> |

*Denotes Major Program

See notes to Schedule of Expenditures of Federal Awards.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Batavia City School District (the District), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

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

NOTE 4 - MAJOR PROGRAM DETERMINATION

All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs, and all federal programs with expenditures exceeding the greater of .3% of the total federal awards or \$100,000 are considered Type B programs. These programs were then further evaluated and major programs were selected.

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, 2009, the District received \$79,215 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

SECTION D

INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Batavia City School District (the District), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 22, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Batavia City School District in a separate letter dated September 22, 2009.

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

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 22, 2009



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major
Program and on 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 of 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, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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, the 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, 2009.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 22, 2009

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's opinion(s) issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Type of auditor's opinion(s) issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs: CFDA#

Title 1 84.010

Dollar threshold used to distinguish between Type A and Type B
Programs 300,000

Auditee qualified as low risk? X yes no

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

II. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE

09-1. Funding of Reserves

Condition: The District made transfers to the Reserve for Employee Benefit Accrued Liability and the Reserve for Repairs. These transfers were not approved by the Board of Education prior to June 30, 2009.

Criteria: Education law requires that all transfers be properly authorized by the Board of Education or the voters during the fiscal year.

Effect: The District did not comply with the provisions of the Education Law.

Recommendation: Management should obtain proper authorization for all transfers prior to fiscal year end.

Management Response: *The Business Administrator will project and review the fund balance estimates by May 30th of each year and obtain Board approval in June for any transfers to District reserves.*

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards noted in the current year.

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings noted in the prior year.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards noted in the prior year.

SECTION E
EXTRACLASSROOM ACTIVITY



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on the Statement of Cash Receipts,
Disbursements and Changes in Cash Basis Net Assets
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 Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2009. 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 Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds 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, 2009, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 22, 2009

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET ASSETS OF THE EXTRACLASSTROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Balance June 30, 2008 | Cash Receipts | Cash Disbursements | Balance June 30, 2009 |
|--------------------------|--------------------------|------------------|-----------------------|--------------------------|
| Class of 2008 | \$ 2 | \$ - | \$ 2 | \$ - |
| Class of 2009 | 7,019 | 39,837 | 45,911 | 945 |
| Class of 2010 | 1,566 | 1,306 | 987 | 1,885 |
| Class of 2011 | 577 | 1,859 | 1,602 | 834 |
| Class of 2012 | - | 1,906 | 1,039 | 867 |
| Batavian | 2,296 | 11,480 | 9,588 | 4,188 |
| BHS Student Government | 4,392 | 5,146 | 7,188 | 2,350 |
| BHS Ski Club | 714 | 13,304 | 13,635 | 383 |
| Sales Lab/BHS Book Store | 86 | 19 | - | 105 |
| BHS Literary | 213 | 1,073 | 774 | 512 |
| BHS Band | 1,258 | - | 358 | 900 |
| BHS Chorus | 8,513 | 887 | 1,198 | 8,202 |
| BHS Assembly | 1,052 | 1,756 | 2,184 | 624 |
| Barber Shop | - | 150 | - | 150 |
| A.P. Fund | - | 11,144 | 10,929 | 215 |
| National Honor Society | 207 | 8,956 | 8,871 | 292 |
| BHS Language Club | 338 | - | 281 | 57 |
| SADD | 225 | 3,089 | 3,125 | 189 |
| Project Graduation | 317 | 4,000 | 3,677 | 640 |
| BHS Technology | 34 | 250 | - | 284 |
| BHS Tennis | 312 | 425 | 487 | 250 |
| Tri-M | 601 | 631 | 370 | 862 |
| BMS Band | 1,249 | - | 154 | 1,095 |
| BMS Yearbook | 4,521 | 10,198 | 9,072 | 5,647 |
| BMS Orchestra | 5,461 | 6,413 | 5,354 | 6,520 |
| Character Education | 131 | 336 | 189 | 278 |
| BMS Assembly | 5,655 | 721 | 806 | 5,570 |
| BMS Student Council | 4,270 | 11,173 | 11,715 | 3,728 |
| BMS Honor Society | 1,141 | - | 265 | 876 |
| BMS AHEAD | 693 | 1,380 | 1,900 | 173 |
| Outdoor Club | 458 | - | - | 458 |
| 7th Grade - Team I | 3,721 | - | 425 | 3,296 |
| 7th Grade - Team II | 3,549 | - | 425 | 3,124 |
| Subtotal | \$ 60,571 | \$ 137,439 | \$ 142,511 | \$ 55,499 |

See note to financial statement

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET ASSETS OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

| | Balance <u>June 30, 2008</u> | Cash <u>Receipts</u> | Cash <u>Disbursements</u> | Balance <u>June 30, 2009</u> |
|-------------------------------|---------------------------------|-------------------------|------------------------------|---------------------------------|
| 8th Grade - Team I & II | \$ 771 | \$ 4,868 | \$ 5,011 | \$ 628 |
| BMS Book Fair | 6 | - | - | 6 |
| R. Morris Student Council | 307 | 2,027 | 2,146 | 188 |
| J. Kennedy Media | 3,599 | 4,032 | 3,907 | 3,724 |
| J. Kennedy Council | 150 | 1,186 | 325 | 1,011 |
| J. K. Home School Association | 4,786 | 14,328 | 17,638 | 1,476 |
| J.K. 5th Grade | 448 | 8,585 | 8,421 | 612 |
| BHS Scholastic Bowl | 526 | - | 46 | 480 |
| BMS Literacy Magazine | 162 | - | - | 162 |
| High School Production | 7,616 | 4,510 | 5,924 | 6,202 |
| Girls Volleyball | 2,940 | 560 | 3,498 | 2 |
| Jackson Student Council | 5,246 | 168 | 414 | 5,000 |
| Jackson 5th Grade | - | 2,495 | 2,421 | 74 |
| BMS 6th South/North | 5,621 | 21,291 | 19,499 | 7,413 |
| BMS Ski Club | 126 | 13,612 | 13,536 | 202 |
| Pageturners | 234 | 677 | 691 | 220 |
| Step team | 202 | 322 | 214 | 310 |
| Art Club | 255 | 94 | 120 | 229 |
| Model UN | 13 | 668 | 656 | 25 |
| BHS Drama | 2,268 | 1,678 | 1,185 | 2,761 |
| RM School Store | 262 | - | - | 262 |
| FORM | 11,021 | 33,678 | 39,060 | 5,639 |
| Interest Checking | 1,562 | 2,089 | 2,064 | 1,587 |
| Subtotal | \$ 48,121 | \$ 116,868 | \$ 126,776 | \$ 38,213 |
| Subtotal (E3) | \$ 60,571 | \$ 137,439 | \$ 142,511 | \$ 55,499 |
| Total | \$ 108,692 | \$ 254,307 | \$ 269,287 | \$ 93,712 |

See note to financial statement

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Assets - Fiduciary Funds at June 30, 2009.

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 Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds for record keeping purposes.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

CASH RECEIPTS

Based on our tests of extraclassroom cash receipts, 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. Although some clubs do perform cash receipt reconciliations during some fund raising events, the controls need to be implemented for all events and by all clubs.

Extraclassroom activity funds are derived from a number of sources such as admissions, sales and campaigns and donations. The procedures used in collecting and preauditing (checking) 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.

BATAVIA CITY SCHOOL DISTRICT
EXTRAClassroom Activity Funds
SUMMARY OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
Continued

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.

ACTIVITY FUND MANAGEMENT

During our audit of the Extraclassroom Activities Fund, we noted instances in which neither a budget or profit and loss analysis for fund-raising events was 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. 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.

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.

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.