

**AUDITED
BASIC FINANCIAL STATEMENTS**

BATAVIA CITY SCHOOL DISTRICT

JUNE 30, 2013

BATAVIA CITY SCHOOL DISTRICT

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SECTION A
FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 1-12 and A27-A28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2013

Management's Discussion and Analysis Batavia City School District Fiscal Year ended June 30, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key Financial Highlights for fiscal year 2013 are as follows:

- The District continues to budget and operate conservatively in these times of economic uncertainty. This budget practice allows the District to continue planning for the long term by setting funds aside in anticipation of future needs while maintaining effective fund balances in a time of financial uncertainty in funding from the State of New York. The District has also been able to make adjustments in its budget and operations over the last several years while absorbing reductions in NYS aid thereby helping to maintain modest minimal growth in the property tax rate over the last five years, while at the same time maintaining most of our educational program offerings. This past year, the District consolidated from three elementary school buildings into two buildings and restructured the educational program from neighborhood schools for grades K-5 to buildings by grade level. Over the past few years, the District has been able to set aside funds into reserves to plan for long term anticipated increases in expenditures. The District has been able to put funds into the following reserve funds: Unemployment Insurance which has a total balance of \$1,238,011; Tax Certiorari which has a total balance of \$291,310; Capital which has a total balance of \$688,769; Employee Benefit Liability which has a balance of \$7,906,842; NYS Employees Retirement and repair reserves are indicated below.
- The District continued to fund its Retirement Contribution reserve during the 2012-13 fiscal year by transferring \$761,057 into this reserve. The District has a total of \$1,972,436 set aside in the Retirement Contribution reserve to fund future contributions/expenditures to New York State Employees Retirement System.
- The District continued to fund its Repair reserve during the 2012-13 fiscal year by transferring \$200,000 into this reserve. The District has a total of \$460,620 set aside in the Repair reserve to fund future repairs to capital improvements or equipment.
- 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 \$1,583,950, and this amount was within the statutory limit.
- The District has continued to offer retirement incentives and fully funded the 2013-2014 payment as an accrued liability as of June 30, 2013. The remaining balance of \$315,400 are recorded as other long term debt
- General fund revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$39,050,675 or 83.50% of all revenues.
- The District tax levy, since 2006-07, has increased a total of only \$828,170 or 4.78% over the past seven (7) years or an average yearly increase of \$117,310 which represents a minimal average increase of 0.68% increase per year.

- The Governor proposed a mid year cut in NYS State Aid during both the 2008-09 and 2009-10 fiscal years and federal stimulus funds were used to offset the proposed State Aid cuts. The adopted NYS budget in 2010-11, 2011-12 and 2012-13 fiscal years has resulted in significant reductions in the District's State Aid allocation. These State Aid reductions are known as GAP Elimination Adjustments. Over this three (3) year period, the total GAP Elimination Adjustment, or loss of state aid, to Batavia City Schools was \$6,515,252.

Overview of the Financial Statements

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

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

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

Figure A-1

Organization of Batavia City School District's Annual Financial Report

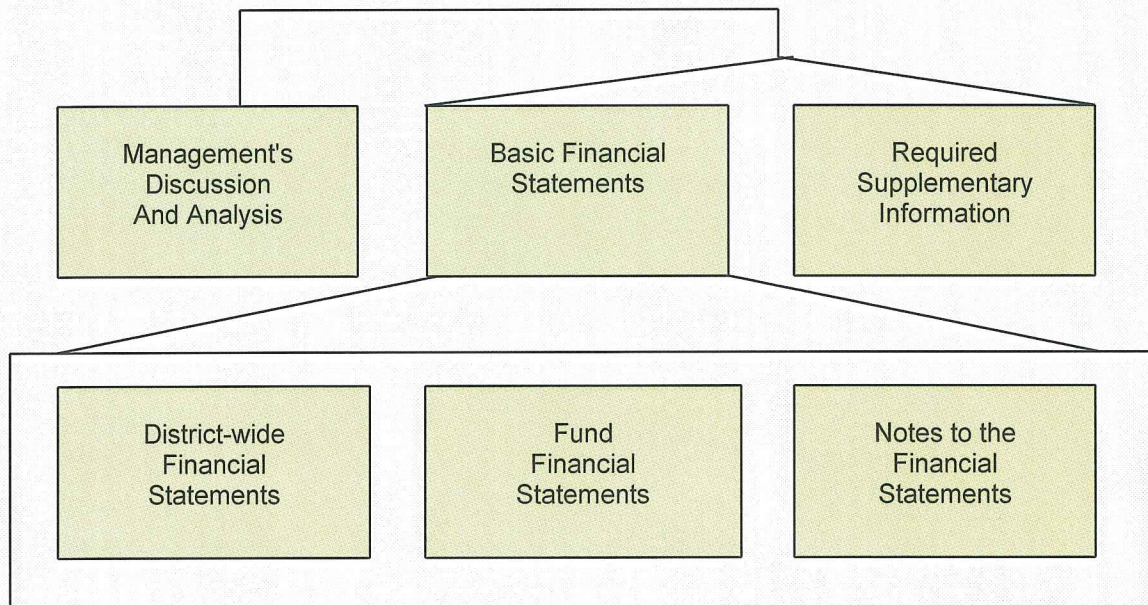


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-wide and Fund Financial Statements			
		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position - Fiduciary Funds • Statement Changes in Net Position - Fiduciary Fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets 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 position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Financial Analysis of the District as a Whole

By far, the largest component of the District's net position reflects its capital assets, less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, the District's net investment in capital assets, was \$22,841,117 and constitute 69% of total net position.

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

Figure A-3

Condensed Statement of Net Position (in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2013	2012	2012-2013
Current and other assets	\$ 24,363	\$ 23,043	5.73%
Capital assets not being depreciated	2,252	2,252	0.00%
Capital assets, net of accumulated depreciation	45,225	47,107	-4.00%
Total assets	71,840	72,402	-0.78%
Long-term liabilities	35,440	38,873	-8.83%
Other liabilities	3,446	3,874	-11.05%
Total liabilities	38,886	42,747	-9.03%
Net Investment in capital assets	22,841	21,289	7.29%
Restricted for:			
Tax certiorari	291	290	0.34%
Unemployment insurance	1,238	1,294	-4.33%
Employee benefit accrued liability	7,907	7,887	0.25%
Repairs	461	260	77.31%
Capital projects	689	687	0.29%
Retirement contribution	1,972	1,208	63.25%
Unrestricted (deficit)	(2,445)	(3,260)	-25.00%
Total net position	\$ 32,954	\$ 29,655	11.12%

Figure A-4

Changes in Net Position
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2013	2012	2012-2013
Revenues:			
Real property taxes	\$ 18,109	\$ 17,775	1.88%
Real property tax items	582	624	-6.73%
Non-property taxes	628	782	-19.69%
Charges for services	204	205	-0.49%
Use of money and property	178	126	41.27%
Miscellaneous	667	1,060	-37.08%
Sale of property and compensation for loss	15	4	275.00%
State and federal aid	25,656	25,592	0.25%
School lunch	388	396	-2.02%
Gain (loss) on sale of equipment	499	(8)	100.00%
Total revenues	46,926	46,556	0.79%
Expenses:			
General support	5,616	5,257	6.83%
Instruction	32,406	32,923	-1.57%
Pupil Transportation	1,347	1,148	17.33%
Debt service	1,171	1,162	0.77%
School lunch	1,096	1,043	5.08%
Depreciation	1,991	1,993	-0.10%
Total expenses	43,627	43,526	0.23%
Change in net position	\$ 3,299	\$ 3,030	8.88%

Figure A-5

Sources of Revenues for Fiscal Year 2013

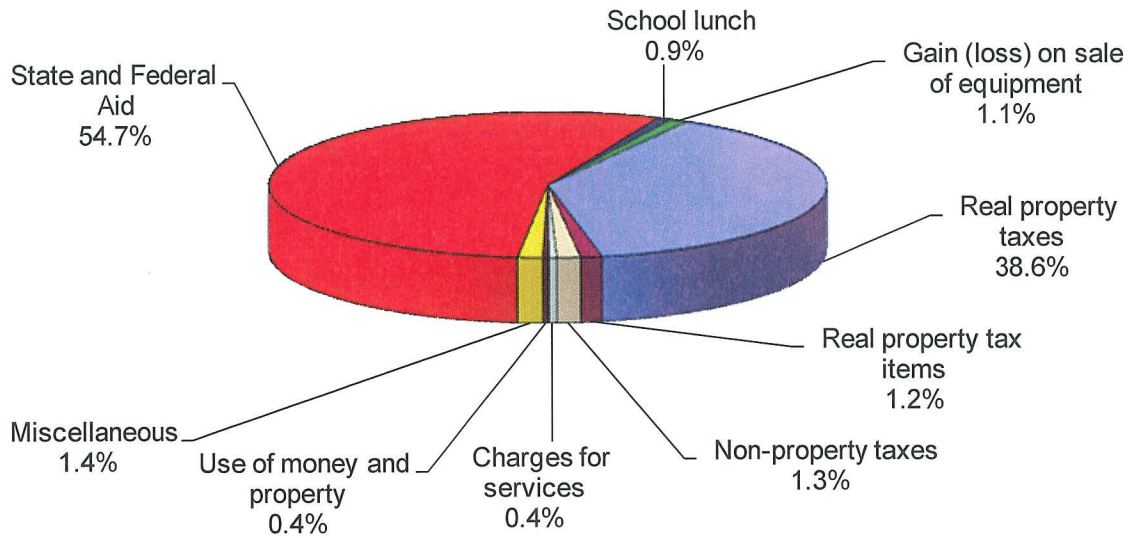


Figure A-5

Sources of Revenues for Fiscal Year 2012

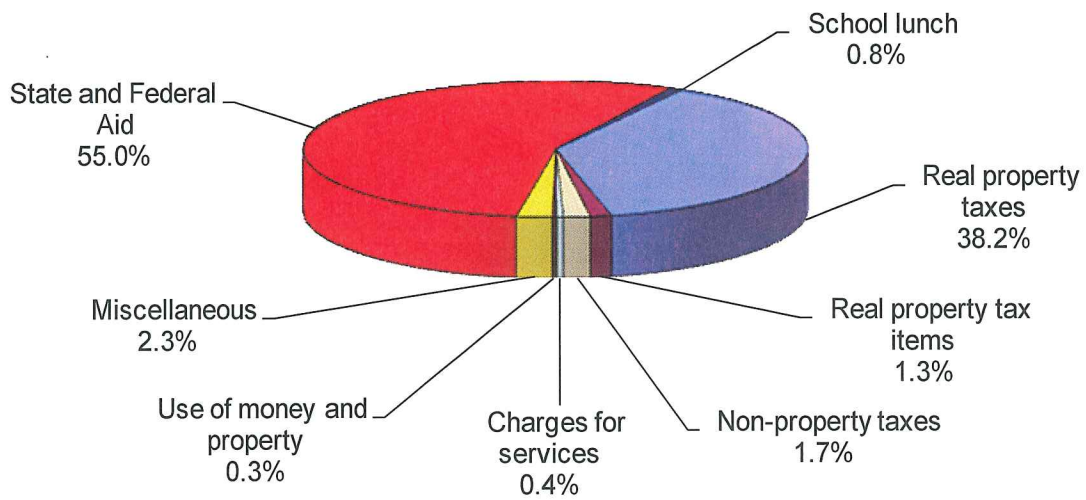


Figure A-6

Expenses for Fiscal Year 2013

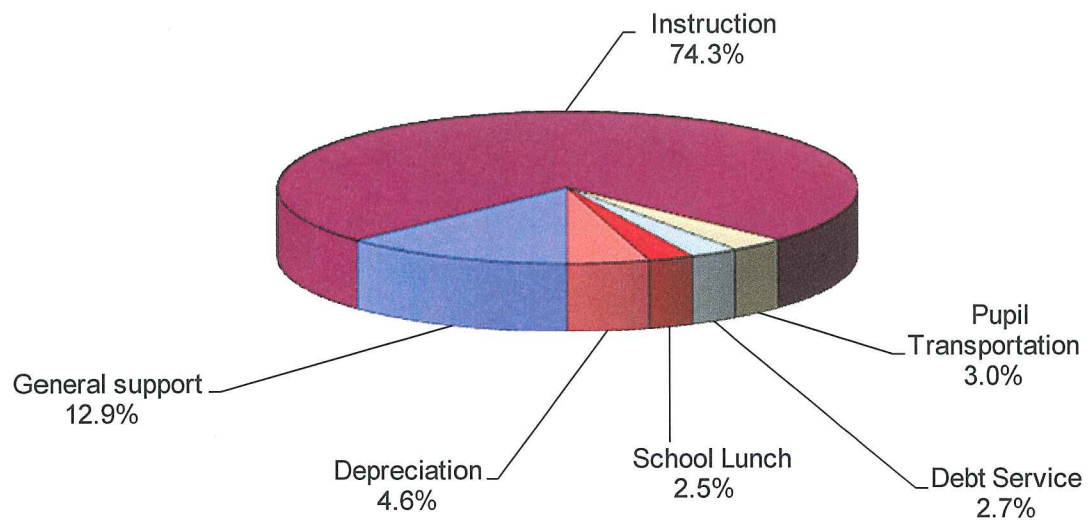
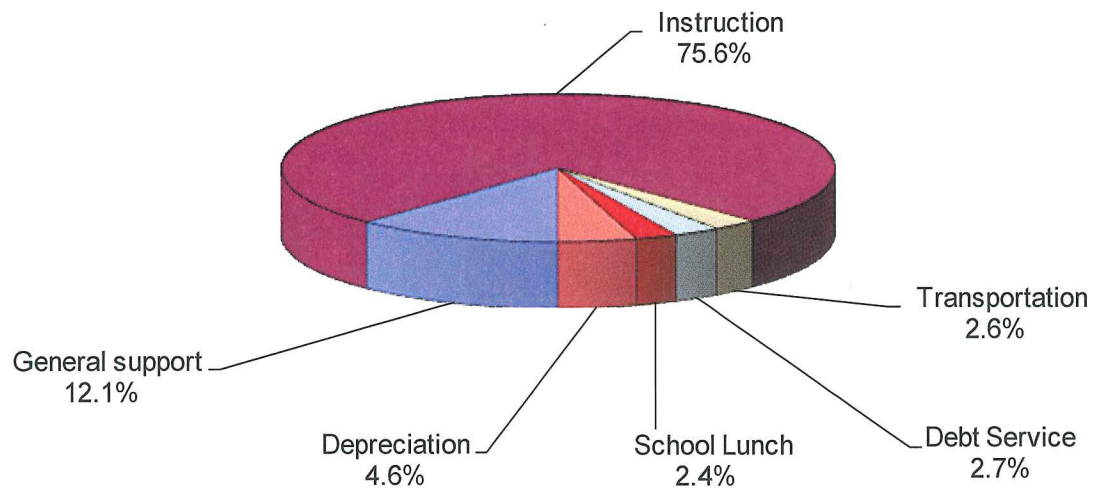


Figure A-6

Expenses for Fiscal Year 2012



Governmental Activities

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

Figure A-7

Sources of Revenues for Fiscal Year 2013

Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services		Percentage Change 2012-2013	Net Cost of Services		Percentage Change 2012-2013
	2013	2012		2013	2012	
General support	\$ 5,616	\$ 5,257	6.83%	\$ 5,501	\$ 5,168	6.44%
Instruction	32,406	32,923	-1.57%	23,962	24,227	-1.09%
Pupil transportation	1,347	1,148	17.33%	552	302	82.78%
Debt service	1,171	1,162	0.77%	1,171	1,162	0.77%
School lunch	1,096	1,043	5.08%	(36)	(52)	-30.77%
Depreciation	1,991	1,993	-0.10%	1,991	1,993	-0.10%
Total	\$ 43,627	\$ 43,526	0.23%	\$ 33,141	\$ 32,800	1.04%

Financial Analysis of The District's Funds

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

Governmental Funds:

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$20,392,058. \$7,719,510 constitutes unreserved (assigned and unassigned) fund balance, of which \$2,238,454 has been designated for subsequent years' expenditures (as appropriated fund balance) and represents the amount estimated for use in the 2013-2014 budget. The remainder of the fund balance, \$12,672,548 is reserved (nonspendable or restricted) to indicate that it is not available for new spending because it has already been committed. These reserves have been established in accordance with New York State educational law and their use is restricted for the intended purpose. The District's reserves include: a reserve for tax certiorari proceedings of \$291,310; a reserve for unemployment insurance of \$1,238,011; a reserve for employee benefit accrued liability of \$7,906,842; a reserve for repairs of \$460,620; a capital projects reserve of \$688,769; and a reserve for retirement contribution of \$1,972,436.

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 \$17,450,654, of which \$1,583,950 or 3.81% 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 4.00% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. The fund balance of the General Fund increased by \$1,518,776.

Figure A-8

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

2013			
	Revenues	Expenditures	Fund Balances
General Fund	\$ 39,051	\$ 37,532	\$ 17,451
Debt Service Fund	19,509	19,545	2,486
Special Aid Fund	1,967	1,967	-
2012			
	Revenues	Expenditures	Fund Balances
General Fund	\$ 38,440	\$ 36,986	\$ 15,932
Debt Service Fund	4,522	4,818	2,522
Special Aid Fund	2,606	2,606	-

General Fund Budgetary Highlights

The District closed an elementary school and restuctured its K-5 program from three (3) elementary neighborhood schools to two (2) grade level schools and also underexpended a significant amount of its amended budget and while conservatively estimating revenues. By continuing a conservative budget approach the District was able to maintain its current reserves while funding both the Repair Reserve and Retirement Contributions Reserve. Funding of these reserves are planned in anticipation for the continued reduction in State Aid by the GAP Elimination Adjustment; increasing costs associated with Employees Retirement System and costs for repairs of capital improvements and equipment. The reserve for the employee benefit accrued liability at June 30, 2013 was \$7,906,842 and represents 75.38% of the District's projected total long-term liability for current employee and retiree post employment health insurance costs. All reserves are evaluated each year as part of the District's long range financial plan.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013 the District had capital assets of \$73,736,809 (\$47,476,895, net of accumulated depreciation), invested in a broad range of capital assets including land, buildings, and furniture and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

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

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

Figure A-9

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2013	2012	2012-2013
Land	\$ 2,252	\$ 2,252	0.00%
Buildings	40,543	41,926	-3.30%
Furniture and equipment	4,682	5,181	-9.63%
Total	<u>\$ 47,477</u>	<u>\$ 49,359</u>	<u>-3.81%</u>

Long-Term Obligations

At June 30, 2013, the District had in general obligations and other long-term debt outstanding, as follows:

Figure A-10

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2013	2012	2012-2013
General obligation bonds and notes (financed with property taxes)	\$ 23,825	\$ 28,070	-15.12%
Unamortized premium	810	-	100.00%
Retirement incentives	316	802	-60.60%
Compensated absences	10,489	10,410	0.76%
Total	<u>\$ 35,440</u>	<u>\$ 39,282</u>	<u>-9.78%</u>

More detailed information about the District's long term obligations is presented in the notes to the financial statements.

Factors Bearing on the District's Future

The State Comptroller has advised all participating employers that billings from the New York State Employee Retirement System, beginning with the December 2003 bill (billing period April 2003 through March 2004), would be at least 4.5% of eligible payroll. The New York State Employee Retirement System has also informed the participating employer that the rate in effect, for eligible payroll, for the February 2014 bill (billing period April 2013 through March 2014) will be approximately 28.50% for Tier 1 employees (a 13.10% increase); 26.10% for Tier 2 employees (a 12.99% increase); 20.90% for Tier 3 employees (a 12.97% increase); 20.90% for Tier 4 employees (a 12.97% increase); 16.80% for Tier 5 (new tier as of January 1, 2010), an increase of 12.00% and 11.40% for Tier 6 (new tier as of April 1, 2012), an increase of 14.00%. Tentative 2015 rates are as follows: 27.40% for Tier 1 (an 3.86% decrease); 25.20% for Tier 2 (an 3.45% decrease); 20.20% for both Tiers 3 & 4 (an 3.35% decrease); 16.50% for Tier 5 (an 1.79% decrease) and 10.90% for Tier 6 (an 4.39% decrease).

The New York State Teachers' Retirement System has also indicated the rate to be used to calculate the TRS expenditures for 2013-14 fiscal year will be 16.25% of eligible salaries. This is an increase of 37.25% compared to 2012-13. In 2012-2013 fiscal year the rate was 11.84% for eligible salaries. This rate was an increase of 6.57% compared to the 2011-2012 rate of 11.11% of eligible salaries. The 2011-12 rate was an increase of 28.89% compared to the 2010-2011 rate of 8.62% of eligible salaries.

The District undertook a consolidation study during the 2011-12 fiscal year and approved the restructuring of its educational program. By restructuring the District was able to make reductions in its building footprint and budget. An Elementary school was closed and the District Administration building was sold.

Contacting the District's Financial Management

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

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$ 20,481,676
State and federal aid receivable	1,407,565
Taxes receivable	709,710
Accounts receivable	179,409
Due from other governments	1,465,820
Due from fiduciary funds	4,133
Prepaid expenses	95,300
Inventory	19,260
Capital assets not being depreciated	2,252,349
Capital assets, net of accumulated depreciation	<u>45,224,546</u>
 Total assets	 <u>71,839,768</u>

LIABILITIES AND NET POSITION

LIABILITIES:

Accounts payable	330,239
Accrued liabilities	833,161
Accrued interest payable	134,434
Due to other governments	4,058
Unearned revenue	6,065
Due to retirement systems	2,138,033
Long-term liabilities:	
Due and payable within one year	4,416,469
Due and payable after one year	<u>31,023,415</u>
 Total liabilities	 <u>38,885,874</u>

NET POSITION:

Net investment in capital assets	22,841,117
Restricted for:	
Tax certiorari	291,310
Unemployment insurance	1,238,011
Employee benefit accrued liability	7,906,842
Repairs	460,620
Capital projects	688,769
Retirement contribution	1,972,436
Unrestricted (deficit)	<u>(2,445,211)</u>
 Total net position	 <u>\$ 32,953,894</u>

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental activities:					
General support	\$ 4,615,527	\$ 999,831	\$ 114,404	\$ -	\$ (5,500,954)
Instruction	24,386,950	8,018,863	89,947	8,353,716	(23,962,150)
Pupil transportation	1,338,488	8,855	-	795,917	(551,426)
Debt service	1,171,127	-	-	-	(1,171,127)
School lunch	1,096,433	-	388,062	743,687	35,316
Unallocated employee benefits	9,027,549	(9,027,549)	-	-	-
Unallocated depreciation	1,991,192	-	-	-	(1,991,192)
Total governmental activities	\$ 43,627,266	\$ -	\$ 592,413	\$ 9,893,320	(33,141,533)
General revenues:					
Real property taxes					18,108,994
Real property tax items					582,061
Non-property taxes					627,696
Use of money and property					178,465
Sale of property and compensation for loss					14,753
State and federal aid not restricted for a specific purpose					15,762,938
Gain on sale of equipment					498,971
Other miscellaneous revenues					666,805
Total general revenues					36,440,683
Change in net position					3,299,150
Net position - beginning					29,654,744
Net position - ending					\$ 32,953,894

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS:	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
Cash and cash equivalents	\$ 17,369,382	\$ 2,486,304	\$ 196,674	\$ 429,316	\$ 20,481,676
State and federal aid receivable	512,530	-	853,043	41,992	1,407,565
Taxes receivable	709,710	-	-	-	709,710
Accounts receivable	177,438	-	309	1,662	179,409
Due from other governments	1,465,820	-	-	-	1,465,820
Due from other funds	1,023,914	-	-	6,874	1,030,788
Prepaid expenditures	95,300	-	-	-	95,300
Inventory	-	-	-	19,260	19,260
Total assets	<u>\$ 21,354,094</u>	<u>\$ 2,486,304</u>	<u>\$ 1,050,026</u>	<u>\$ 499,104</u>	<u>\$ 25,389,528</u>
LIABILITIES:					
Accounts payable	\$ 309,729	\$ -	\$ 7,568	\$ 12,942	\$ 330,239
Accrued liabilities	801,661	-	22,552	8,939	833,152
Due to other governments	3,942	-	125	-	4,067
Due to other funds	6,874	-	1,019,781	-	1,026,655
Unearned revenue	-	-	-	6,065	6,065
Due to retirement systems	2,121,975	-	-	16,058	2,138,033
Total liabilities	<u>3,244,181</u>	<u>-</u>	<u>1,050,026</u>	<u>44,004</u>	<u>4,338,211</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	659,259	-	-	-	659,259
Total deferred inflows of resources	<u>659,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659,259</u>

BATAVIA CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013
(Continued)

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
FUND BALANCES:					
Nonspendable	95,300	-	-	19,260	114,560
Restricted	12,557,988	-	-	-	12,557,988
Assigned	3,213,416	2,486,304	-	435,840	6,135,560
Unassigned	1,583,950	-	-	-	1,583,950
Total fund balances	17,450,654	2,486,304	-	455,100	20,392,058
Total liabilities, deferred inflows of resources and fund balances	\$ 21,354,094	\$ 2,486,304	\$ 1,050,026	\$ 499,104	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds, net of accumulated depreciation

47,476,895

Long-term liabilities including serial bonds payable, compensated absences,
and post employment benefits are not due and payable in the current period
and therefore are not reported in the funds.

(35,439,884)

Interest is accrued and reported in the district-wide Statement of Net Position
but not on the fund basis Balance Sheet because it is not due and
payable in the current period.

(134,434)

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

659,259

Net position

\$ 32,953,894

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, 2013

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
REVENUES:					
Real property taxes	\$ 17,951,421	\$ -	\$ -	-	\$ 17,951,421
Real property tax items	582,061	-	-	-	582,061
Non-property taxes	627,696	-	-	-	627,696
Charges for services	204,351	-	-	-	204,351
Use of money and property	173,311	4,639	-	515	178,465
Sale of property and compensation for loss	115,058	399,695	-	-	514,753
Miscellaneous local sources	502,910	-	84,709	61,972	649,591
Interfund revenues	17,214	-	-	-	17,214
State sources	18,799,527	4,174,647	412,925	29,340	23,416,439
Federal sources	77,126	-	1,448,346	714,347	2,239,819
School lunch	-	-	-	388,062	388,062
Total revenues	39,050,675	4,578,981	1,945,980	1,194,236	46,769,872
EXPENDITURES:					
General support	4,657,893	-	-	-	4,657,893
Instruction	22,761,406	-	1,693,654	-	24,455,060
Pupil transportation	1,312,040	-	26,448	-	1,338,488
Debt service	-	5,126,437	-	-	5,126,437
School lunch	-	-	-	1,096,433	1,096,433
Employee benefits	8,779,383	-	247,055	-	9,026,438
Total expenditures	37,510,722	5,126,437	1,967,157	1,096,433	45,700,749

See notes to basic financial statements.
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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
Excess (deficit) of revenues over expenditures	1,539,953	(547,456)	(21,177)	97,803	1,069,123
OTHER FINANCING SOURCES (USES):					
Premium on debt issued	-	935,058	-	-	935,058
Refunding bond proceeds	-	13,995,000	-	-	13,995,000
Payment to refunded bond escrow agent	-	(14,418,068)	-	-	(14,418,068)
Interfund transfers in	-	-	21,177	-	21,177
Interfund transfers out	(21,177)	-	-	-	(21,177)
Total other financing sources (uses)	(21,177)	511,990	21,177	-	511,990
Net change in fund balances	1,518,776	(35,466)	-	97,803	1,581,113
Fund balances - beginning	15,931,878	2,521,770	-	357,297	18,810,945
Fund balances - ending	\$ 17,450,654	\$ 2,486,304	\$ -	\$ 455,100	\$ 20,392,058

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, 2013

Net change in fund balances - total governmental funds	\$	1,581,113
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,991,192) exceeded capital outlays (\$110,476) in the current period.		(1,880,716)
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In the statement of activities, the loss on the disposal of assets is reported as a decrease in financial resources. Thus the change in net position differs from the change in fund balance by the net book value of the assets sold.		(1,029)
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Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.		18,240,000
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Proceeds of serial bonds are recorded as an other financing source for governmental funds whereas the proceeds of serial bonds are recorded as liabilities in the statement of net position.		(13,995,000)
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Governmental funds report the effect of premiums when debt is first issued in the fund basis statement of revenues, expenses and changes in fund balances whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		(810,778)
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Increases/decreases in accrued compensated absences reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		(78,961)
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In the Statement of Activities, the liability related to current and long-term retirement system incentives are reported whereas in the governmental funds the current portion to be paid with current financial resources are recorded.		77,850
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Interest accrued and reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.		9,098
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Revenues that are deferred are accrued and reported in the Statement of Activities whereas on the governmental funds only revenues that are available to pay current obligations are reported.		157,573
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Change in net position of governmental activities	\$	<u><u>3,299,150</u></u>
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BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Agency
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ -	\$ 445,181
Cash and cash equivalents - restricted	267,549	98,925
Restricted investments	337,987	-
Accounts receivable	<hr/> -	<hr/> .399
Total assets	\$ <hr/> <hr/> 605,536	\$ <hr/> <hr/> 544,505
LIABILITIES AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 22,628	\$ -
Agency liabilities	-	441,447
Extraclassroom activity balances	-	98,925
Due to other funds	<hr/> -	<hr/> 4,133
Total liabilities	22,628	544,505
NET POSITION:		
Reserved for scholarships	<hr/> 582,908	<hr/> -
Total liabilities and net position	\$ <hr/> <hr/> 605,536	\$ <hr/> <hr/> 544,505

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	<hr/>
ADDITIONS:	
Interest	\$ 5,905
Gifts and donations	18,229
Net increase in fair value of investments	<hr/> 77,566
 Total additions	 101,700
DEDUCTIONS:	
Scholarships	<hr/> 31,984
 Total deductions	 <hr/> 31,984
 Change in net position	 69,716
 Net position - beginning	 <hr/> 513,192
 Net position - ending	 \$ <hr/> <hr/> 582,908

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

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

1. Included in the Reporting Entity

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

2. Joint Venture

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2013, the District was billed \$5,573,268 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 80 Munson Street, LeRoy, New York 14482.

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

B. BASIS OF PRESENTATION

1. District-wide statements:

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

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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: This fund is 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 that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

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 employee withholdings.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of 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.

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, premium on debt issued 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, 2013 are reported as taxes receivable and unearned 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 proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, and therefore, the only fund presented on the Budgetary Comparison Schedule.

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

F. CASH, CASH EQUIVALENTS 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, 2013.

G. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes.

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 inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered an immaterial amount.

These assets are classified as nonspendable 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 within one 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 June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair 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	30-40 years
Building improvements	2,000	straight-line	15-30 years
Site improvements	2,000	straight-line	15-30 years
Vehicles	2,000	straight-line	8-15 years
Furniture and equipment	2,000	straight-line	5-40 years

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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the fund basis balance sheet. Unearned revenue 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 unearned revenue is removed and revenue is recognized.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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, resignation or death, employees receive a credit to be applied towards health insurance based on unused accumulated sick leave, based on contractual provisions.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the district-wide financial statements. 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 financial resources. Sick time is expensed on a pay-as-you-go basis.

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.

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 Position.

Q. FUND EQUITY

District-wide statements:

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net investment in capital assets - 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 position - reports net position 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 position - reports all other net positions 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:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The District has adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classifications will be charged.

In the fund statements there are potentially five classes of net position to be reported including nonspendable, restricted, committed, assigned and unassigned. These classes are explained further in Note 3.,C.

Fund balance policies:

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

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

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

S. NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The District elected to implement GASB Statement No. 65 early. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement Nos. 63 and 65 did not have a material impact on the District's financial position or results from operations.

Additionally, during the year ended June 30, 2013, the District completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity; Omnibus, an amendment of GASB Statement No. 34*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*, effective for the year ending June 30, 2013. GASB Statement Nos. 57, 60, 61, 62 and 64 did not have a material impact on the District's financial position or results from operations.

The GASB has issued the following new statements:

- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statement Nos. 10 and 62*, which will be effective for the year ending June 30, 2014.
- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending June 30, 2014;
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending June 30, 2015;
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending June 30, 2015; and
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2014.

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

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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 the General Fund's fund balance computed on a GAAP basis and budgetary basis.

GAAP BASIS:

Fund balance - June 30, 2013 \$ 17,450,654

Deduct outstanding encumbrances 974,962

BUDGETARY BASIS - Fund balance - June 30, 2013 \$ 16,475,692

NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

1. DEPOSITS AND INVESTMENTS

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

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

The District's aggregate bank balances were fully collateralized at June 30, 2013.

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 includes \$98,925 in the Agency Fund restricted for extraclassroom activities, and \$267,549 in the Private Purpose Trust Fund restricted for scholarships.

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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Custodial Credit Risk

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

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

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, 2013</u>
198	Shares Comcast Corporation	\$ -	\$ 8,267
34	Shares NCR Corporation	-	1,130
34	Shares Teradata Corporation	-	1,720
1323	Shares American Telephone and Telegraph, Inc.	2,820	46,834
3527	Shares Putnam Investors Fund, Inc.	27,852	58,624
68	Shares Alcatel-Lucent	1,141	124
19	Shares LSI Corporation	-	136
3210	Shares Eastman Kodak	200,000	-
638	Shares Verizon	5,498	32,117
31	Shares Idearc, Inc.	-	-
12	Shares Fair Point Communications	-	100
3579	Shares JP Morgan Chase	24,319	188,935
			<u>\$ 337,987</u>

For the year ended June 30, 2013, the District recognized a net increase in the value on investments of \$77,566.

2. RECEIVABLES

Major revenues accrued by the District include the following at June 30, 2013:

General Fund:

Taxes receivable \$ 709,710

Due from other governments:

BOCES' aid \$ 1,462,551

Miscellaneous 3,269

\$ 1,465,820

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

State and federal aid receivable, consist of the following at June 30, 2013:

General Fund:	
State aid – excess cost aid	\$ 511,144
STAR aid	<u>1,386</u>
	<u>512,530</u>
Special Aid Fund:	
Section 619	33,900
Section 611	39,921
Race to the top	50,555
Title I	325,192
Universal Pre-Kindergarten	74,872
Summer school	280,025
Teacher Resource Center	27,720
Title VI B REAP	15,561
Title IIA	<u>5,297</u>
	<u>853,043</u>
School Lunch Fund	<u>41,992</u>
	<u>\$ 1,407,565</u>

3. INTERFUND ACTIVITY

Interfund balances and activity at June 30, 2013 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,023,914	\$ 6,874	\$ -	\$ 21,177
School Lunch Fund	6,874	-	-	-
Special Aid Fund	-	1,019,781	21,177	-
Agency Fund	<u>-</u>	<u>4,133</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,030,788</u>	<u>\$ 1,030,788</u>	<u>\$ 21,177</u>	<u>\$ 21,177</u>

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

Interfund receivables and payables were incurred primarily due to repayment for salary expenses paid by the General Fund on behalf of the Special Aid Fund.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Balance 6/30/12	Additions	Retirements/ Reclassifications	Balance 6/30/13
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,252,349	\$ -	\$ -	\$ 2,252,349
Total capital assets, not being depreciated	<u>2,252,349</u>	<u>-</u>	<u>-</u>	<u>2,252,349</u>
Capital assets that are depreciated:				
Buildings	59,014,279	-	93,315	58,920,964
Furniture and equipment	<u>12,467,222</u>	<u>110,476</u>	<u>14,202</u>	<u>12,563,496</u>
Total capital assets, being depreciated	<u>71,481,501</u>	<u>110,476</u>	<u>107,517</u>	<u>71,484,460</u>
Less accumulated depreciation:				
Buildings	17,088,222	1,383,337	93,315	18,378,244
Furniture and equipment	<u>7,286,988</u>	<u>607,855</u>	<u>13,173</u>	<u>7,881,670</u>
Total accumulated depreciation	<u>24,375,210</u>	<u>1,991,192</u>	<u>106,488</u>	<u>26,259,914</u>
Total capital assets, being depreciated, net	<u>47,106,291</u>	<u>(1,880,716)</u>	<u>1,029</u>	<u>45,224,546</u>
Governmental activities capital assets, net	<u>\$ 49,358,640</u>	<u>\$ (1,880,716)</u>	<u>\$ 1,029</u>	<u>\$ 47,476,895</u>

B. LIABILITIES

1. ACCRUED LIABILITIES

Accrued liabilities reported by the District at June 30, 2013, were as follows:

	General fund	Special Aid fund	School Lunch fund	Total funds
Salary and employee benefits	\$ 164,376	\$ 22,552	\$ 2,004	\$ 188,932
Accrued vacation	358,835	-	6,935	365,770
Retirement incentive	<u>278,450</u>	<u>-</u>	<u>-</u>	<u>278,450</u>
Total accrued liabilities	<u>\$ 801,661</u>	<u>\$ 22,552</u>	<u>\$ 8,939</u>	<u>\$ 833,152</u>

2. 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.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

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 State Retirement and Social Security Law of the State of New York. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

FUNDING POLICIES

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3.0% to 3.5% of their salary. With the exception of TRS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employees contribution rates under ERS tier VI vary based on a sliding salary scale. 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>
2013	\$ 953,206	\$ 1,819,035
2012	862,438	1,634,209
2011	533,413	1,166,340

The District chose to prepay the required contributions by December 15, 2012 and received an overall discount of \$8,578.

3. LONG TERM DEBT

- 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 \$1,171,127 of expenditures for long-term debt interest on their district-wide financial statements.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

- b. OTHER LONG-TERM DEBT - In addition to the above long-term debt, the District had a non-current liability for compensated absences (see Note 1., N.) and retirement incentives. The District has offered retirement incentives to employee groups to be paid over three to four years.
- c. The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance 6/30/12	Issued	Redeemed	Balance 6/30/13	Due Within One Year
General obligation debt:					
Serial bonds	\$ 28,070,000	\$ 13,995,000	\$ 18,240,000	\$ 23,825,000	\$3,750,000
Unamortized premium	-	935,058	124,280	810,778	142,034
Other long-term debt:					
Compensated absences	10,409,745	2,010,756	1,931,795	10,488,706	524,435
Retirement incentives	<u>802,650</u>	<u>200,600</u>	<u>409,400</u>	<u>593,850</u>	<u>278,450*</u>
Total long-term liabilities	<u>\$ 39,282,395</u>	<u>\$ 17,141,414</u>	<u>\$ 20,705,475</u>	<u>\$ 35,718,334</u>	<u>\$4,694,919</u>

*The current portion of the retirement incentive is recorded in accrued liabilities.

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/13
Technology project	12/29/10	06/15/25	Various	\$ 3,065,000
Refunding serial bonds	12/04/02	06/15/14	Various	785,000
Improvement project	11/01/07	06/15/22	Various	8,100,000
Refunding serial bonds	08/14/12	03/15/19	Various	<u>11,875,000</u>
Total				<u>\$ 23,825,000</u>

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

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

Fiscal Year	Principal	Interest
2014	\$ 3,750,000	\$ 861,213
2015	3,050,000	752,388
2016	3,155,000	651,763
2017	3,245,000	547,588
2018	3,355,000	418,938
2019-2023	6,660,000	720,314
2024-2025	<u>610,000</u>	<u>34,500</u>
Total	<u>\$ 23,825,000</u>	<u>\$ 3,986,704</u>

Refunding

The District issued \$13,995,000 in public improvement bonds with interest rates ranging from 2.0% to 4.0%. The proceeds were used to advance refund \$9,550,000 of outstanding 2004 public improvement bonds and to refund on a current basis \$4,865,000 of outstanding 2003 public improvement bonds.

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

The District advance refunded the 2003 public improvement bonds to reduce its total debt service payments over 7 years by \$471,884 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$447,754. The current refunding transaction resulted in a reduction of debt service payments over six years by \$343,034 and an economic gain of \$317,060.

C. FUND BALANCE

As of June 30, 2013, fund balances on the fund basis statements are classified as follows:

Nonspendable - amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

Committed - amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the District Board. As of June 30, 2013, the District had no committed fund balances.

Assigned - amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The assigned category typically includes funds encumbered and appropriation of fund balances. Also, the Board has authorized the Business Administrator to assign amounts for specific purposes.

Unassigned - all other spendable amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

As of June 30, 2013, fund balances were classified as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major School Lunch</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepaid expenditures	\$ 95,300	\$ -	\$ -	\$ 95,300
Inventory	-	-	19,260	19,260
<u>Restricted:</u>				
Unemployment Insurance	1,238,011	-	-	1,238,011
Retirement	1,972,436	-	-	1,972,436
Tax Certiorari	291,310	-	-	291,310
Capital	688,769	-	-	688,769
Repairs	460,620	-	-	460,620
Employee Benefits Accrued Liability	7,906,842	-	-	7,906,842
<u>Assigned:</u>				
Subsequent years' expenditures	2,238,454	-	-	2,238,454
<u>Encumbrances:</u>				
General government	127,587	-	-	127,587
Instruction	844,814	-	-	844,814
Pupil transportation	2,561	-	-	2,561
Debt Service	-	2,486,304	-	2,486,304
School Lunch	-	-	435,840	435,840
<u>Unassigned:</u>				
General fund	<u>1,583,950</u>	<u>-</u>	<u>-</u>	<u>1,583,950</u>
Total	<u>\$ 17,450,654</u>	<u>\$ 2,486,304</u>	<u>\$ 455,100</u>	<u>\$20,392,058</u>

BATAVIA CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Encumbrances are recorded at the time a purchase order, construction contract or a service agreement is finalized and are reported as assignments of fund balances since they do not constitute expenditures or liabilities. As of June 30, 2013 there were no encumbrances material to the financial statements requiring additional disclosure.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. 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 26 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, 2013 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.

B. GRANTS

The District has received grants, which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

C. SERIAL BONDS

At the March 26, 2013 Board of Education meeting, the District approved a bond resolution authorizing the issuance of \$3,152,706 in serial bonds to finance the cost of a capital improvement project. As of the date of these financial statements the serial bonds have not yet been issued.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES:				
Local sources:				
Real property taxes	\$ 18,140,376	\$ 18,140,376	\$ 17,951,421	\$ (188,955)
Real property tax items	627,102	627,102	582,061	(45,041)
Non-property tax items	820,000	820,000	627,696	(192,304)
Charges for services	121,000	121,000	204,351	83,351
Use of money and property	71,000	71,000	173,311	102,311
Sale of property and compensation for loss	19,500	19,500	115,058	95,558
Miscellaneous local sources	225,000	225,000	502,910	277,910
Interfund revenues	-	-	17,214	17,214
State sources:				
Basic formula, excess cost and lottery aid	15,332,832	15,332,832	15,614,038	281,206
BOCES	2,200,656	2,200,656	2,862,353	661,697
Other	209,641	209,641	323,136	113,495
Federal sources	78,000	78,000	77,126	(874)
Total revenues	37,845,107	37,845,107	39,050,675	1,205,568
Other sources:				
Appropriated fund balance	2,701,442	2,701,442	-	(2,701,442)
Total revenues and other sources	\$ 40,546,549	\$ 40,546,549	\$ 39,050,675	\$ (1,495,874)

See independent auditor's report.

BATAVIA CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
EXPENDITURES:					
General support:					
Board of education	\$ 11,923	\$ 27,188	\$ 24,162	395	\$ 2,631
Central administration	320,382	386,278	369,545	75	16,658
Finance	874,765	439,441	404,124	31,884	3,433
Staff	193,102	233,459	225,981	-	7,478
Central services	3,358,726	3,287,050	2,826,540	95,233	365,277
Special items	847,724	847,724	807,541	-	40,183
Instruction:					
Instruction, administration and improvements	1,411,251	1,374,225	1,334,076	2,447	37,702
Teaching - regular school	11,914,399	12,217,984	11,757,048	118,990	341,946
Programs for children with handicaps	4,962,263	4,614,288	4,304,405	262,979	46,904
Occupational education	1,149,066	1,150,066	1,150,066	-	-
Instructional media	2,417,381	3,099,330	2,544,713	442,511	112,106
Pupil services	1,935,491	1,955,760	1,671,098	17,887	266,775
Pupil transportation	1,640,718	1,638,210	1,312,040	2,561	323,609
Employee benefits	9,484,358	9,250,546	8,779,383	-	471,163
Total expenditures	40,521,549	40,521,549	37,510,722	974,962	2,035,865
Other uses:					
Interfund transfers out	25,000	25,000	21,177	-	3,823
Total expenditures and other uses	\$ 40,546,549	\$ 40,546,549	37,531,899	974,962	\$ 2,039,688
Net change in fund balance			\$ 1,518,776		

See independent auditor's report.
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SECTION B
SUPPLEMENTAL SCHEDULES

BATAVIA CITY SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED
BUDGET TO AMENDED BUDGET -
GENERAL FUND AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2013

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 40,086,732
Additions:	
Encumbrances from prior year	<u>459,817</u>
Original Budget	\$ <u>40,546,549</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2013-14 expenditure budget	\$ 41,981,241
Maximum allowed	1,679,250

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

Unrestricted fund balance:	
Assigned fund balance	3,213,416
Unassigned fund balance	<u>1,583,950</u>
Total unrestricted fund balance	<u>4,797,366</u>

Less:	
Appropriated fund balance	2,238,454
Encumbrances included in committed and assigned fund balance	<u>974,962</u>
Total adjustments	<u>3,213,416</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,583,950

Actual percentage 3.81%

BATAVIA CITY SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS,
FOR THE YEAR ENDED JUNE 30, 2013

Capital assets, net		\$ 47,476,895
Deduct:		
Current portion of serial bonds payable	3,750,000	
Long-term portion of serial bonds payable	20,075,000	
Unamortized premium on bonds payable	<u>810,778</u>	<u>24,635,778</u>
Net investment in capital assets		\$ <u>22,841,117</u>

SECTION C
SUPPLEMENTARY INFORMATION -
FEDERAL FINANCIAL ASSISTANCE

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<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	---	\$ 43,563
National School Lunch Program	10.555	---	530,156
National School Breakfast Program	10.553	---	140,628
Total U.S. Department of Agriculture			<u>714,347</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 - 2011-2012	84.010	0021-12-1000	41,747
Title I - 2012-2013	84.010	0021-13-1000	491,234
Title I School Improvement - 2012-2013	84.010	0011-13-2036	41,217
Title I School Improvement - 2011-2012	84.010	0011-12-2036	12,703
Handicapped-State Grants - Part B, Education of the Handicapped			
Section 611 - 2011-2012	84.027	0032-12-0276	12,420
Section 611 - 2012-2013	84.027	0032-13-0276	543,061
Education of the Handicapped			
Section 619 - 2012-2013	84.173	0033-13-0276	62,641
Federal, State, and Local Partnership for Education Improvement			
Title IIA - 2011-2012	84.367	0147-12-1000	95,239
Title IIA - 2012-2013	84.367	0147-13-1000	43,421
Rural Education Achievement Program			
Title VI - 2012-2013	84.358	0006-13-1000	48,393
Career and Technical Education -			
National Programs - 2011-2012	84.051	8000-12-0090	5,715
ARRA - Race to the Top - 2012-2013	84.395	5500-13-1000	<u>50,555</u>
Total U.S. Department of Education			<u>1,448,346</u>
Total Expenditures of Federal Awards			<u>\$2,162,693</u>

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, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of 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 modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

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

NOTE 4 - MAJOR PROGRAM DETERMINATION

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. 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 other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed the greater of .3% of the total federal awards or \$100,000 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk 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, 2013, the District received \$43,563 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

SECTION D

INTERNAL CONTROL AND COMPLIANCE



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Batavia City School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Batavia City School District in a separate letter dated October 1, 2013.

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE, REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Batavia City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2013

BATAVIA CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> 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#

Nutrition Cluster	10.555/10.553
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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, 2013

II. FINDINGS - FINANCIAL STATEMENT AUDIT

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or 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, 2013

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings material to the financial statements noted in the prior year.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

SECTION E
EXTRACLASSROOM ACTIVITY



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

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

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2013. 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the year ended June 30, 2013, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2013

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Class of 2010	\$ 598	\$ -	\$ 598	\$ -
Class of 2012	175	-	175	-
Class of 2013	11,427	37,629	48,982	74
Class of 2014	4,177	8,114	4,917	7,374
Class of 2015	2,144	4,749	2,978	3,915
Class of 2016	-	5,295	2,340	2,955
Batavian	3,553	12,353	10,876	5,030
BHS Student Government	5,823	9,058	8,415	6,466
BHS Ski Club	173	7,153	7,245	81
BHS Book Store	320	-	320	-
BHS Literary	(190)	290	-	100
BHS Band	873	200	304	769
BHS Chorus	8,172	-	803	7,369
BHS Virtual Team	195	-	190	5
Barber Shop	352	149	-	501
National Honor Society	(246)	3,086	2,521	319
BHS Language Club	56	-	56	-
SADD	144	1,743	1,876	11
Project Graduation	257	-	257	-
BHS Technology	284	-	284	-
BHS Tennis	31	-	31	-
Tri-M	1,500	1,000	566	1,934
BMS Band	1,824	-	669	1,155
BMS Yearbook	8,402	8,725	5,896	11,231
BMS Orchestra	5,065	526	1,642	3,949
Character Education	238	358	250	346
BMS Student Council	4,896	1,533	307	6,122
BMS Honor Society	761	599	559	801
BMS AHEAD	46	1,611	1,594	63
Outdoor Club	658	6,758	6,845	571
7th Grade - Team II	2,841	3,238	1,884	4,195
Subtotal	\$ 64,549	\$ 114,167	\$ 113,380	\$ 65,336

See note to financial statement.

BATAVIA CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

	Balance June 30, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
8th Grade - Team I & II	\$ 605	\$ 7,787	\$ 6,939	\$ 1,453
BMS Book Fair	-	8,048	7,247	801
R. Morris Student Council	64	-	64	-
J. Kennedy Media	2,584	5,005	5,320	2,269
J. Kennedy Council	1,108	2,764	1,329	2,543
J.K. 5th Grade	479	80	559	-
BHS Scholastic Bowl	452	-	452	-
BMS Literacy Magazine	12	-	12	-
High School Production	9,628	5,995	4,371	11,252
Girls Volleyball	2	-	2	-
Jackson Student Council	2,694	-	2,694	-
Jackson 5th Grade	221	-	221	-
BMS 6th South/North	5,254	22,063	21,340	5,977
BMS Ski Club	44	11,184	10,220	1,008
Pageturners	166	259	91	334
Step team	310	-	310	-
Art Club	121	480	264	337
Model UN	22	-	22	-
BHS Drama	4,142	708	774	4,076
RM School Store	262	-	262	-
BMS Drama	303	-	303	-
NYS Sales Tax	2,368	4,278	4,515	2,131
Interest Checking	1,160	448	200	1,408
Subtotal	\$ 32,001	\$ 69,099	\$ 67,511	\$ 33,589
Subtotal (E3)	\$ 64,549	\$ 114,167	\$ 113,380	\$ 65,336
Total	\$ 96,550	\$ 183,266	\$ 180,891	\$ 98,925

See note to financial statement.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Position - Fiduciary Funds at June 30, 2013.

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.

NYS Sales Tax 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 Position of the Extraclassroom Activity Funds for record keeping purposes.

BATAVIA CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SUMMARY OF AUDIT FINDINGS

RECONCILIATION OF STUDENT LEDGERS

During our audit of the Extraclassroom Activity Fund, we noted one instance where the student ledger had not been reconciled to the Central Treasurer's ledger. We recommend student treasurers meet with the Central Treasurer to reconcile their ledgers at least semi-annually.