

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **BATAVIA CITY SCHOOL DISTRICT**

---

**JUNE 30, 2012**

**BATAVIA CITY SCHOOL DISTRICT**

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**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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia City School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedule on pages 1 through 13, and A26 through A27 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* (Circular A-133), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, and the schedule of expenditure of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 25, 2012



## **Management's Discussion and Analysis Batavia City School District Fiscal Year ended June 30, 2012**

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, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

Key Financial Highlights for fiscal year 2012 are as follows:

- The District continues to budget 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 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. 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 \$1,294,550; Repairs which has a total balance of \$259,950; Tax Certiorari which has a total balance of \$290,561; Capital which has a total balance of \$686,999; Employee Benefit Liability which has a balance of \$7,886,523 and NYS Employees Retirement reserve as indicated below.
- The District continued to fund its Retirement Contribution reserve during the 2012-13 fiscal year by transferring \$451,519 into this reserve. The District has a total of \$1,208,386 set aside in the Retirement Contribution reserve to fund future contributions expenditures to New York State Employees Retirement System.
- 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 \$1,508,767, and this amount was within the statutory limit.
- The District has continued to offer retirement incentives during the year and fully funded the 2012-2013 payment as an accrued liability as of June 30, 2012. The remaining balance of \$393,250 are recorded as other long term debt
- General revenues which include unallocated Federal and State Aid and Real Property Taxes accounted for \$38,440,171 or 82.40% of all revenues.
- The District tax levy has increased a total of only \$473,599 or 2.97% since 2007-08 or an average yearly increase of \$94,720 which represents a minimal average increase of 0.59% 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 both 2010-11 and 2011-12 fiscal years has resulted in significant reductions in the District's State Aid allocation. These State Aid reductions are known as GAP Elimination Adjustment.

## Overview of the Financial Statements

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

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

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

**Figure A-1**

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

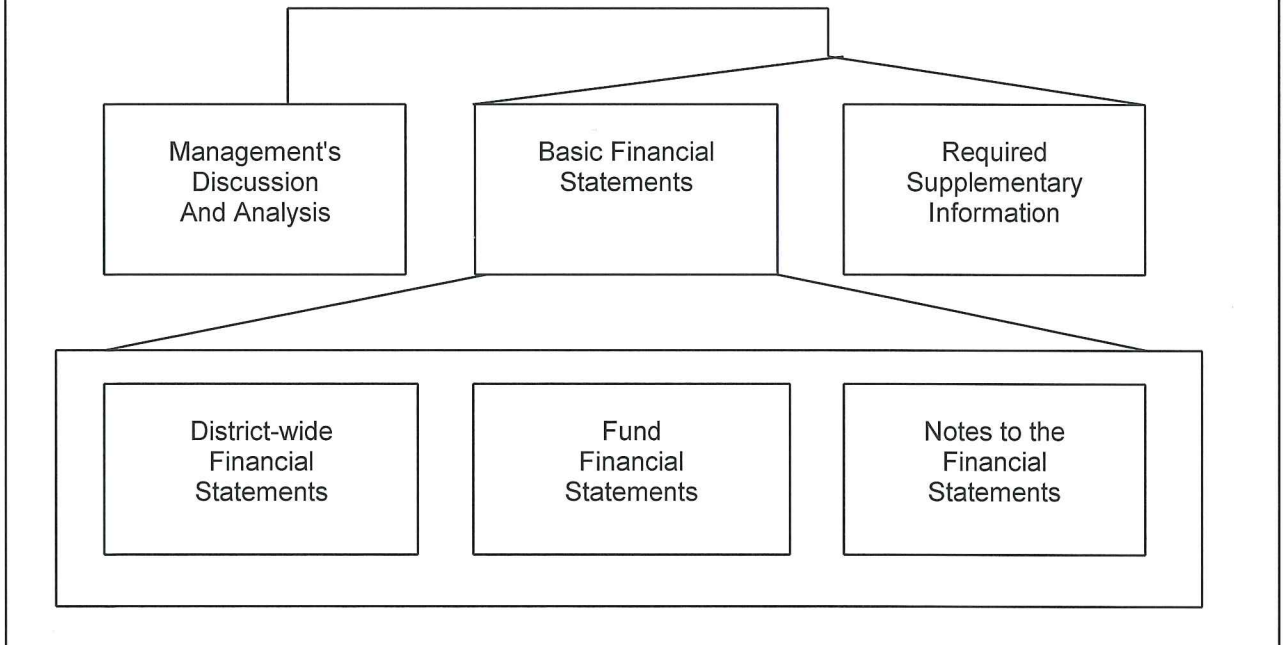


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

### **District-wide Statements**

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



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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information 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 assets reflects its capital assets, less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At year end, The District's invested in capital assets, net of related debt was \$21,288,640 and constitute 71.79% of total net assets.

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

**Figure A-3**

#### **Condensed Statement of Net Assets (in thousands of dollars)**

	Governmental Activities and Total District		Total Percentage Change
	2012	2011	2011-2012
Current and other assets	\$ 23,043	\$ 21,646	6.45%
Capital assets not being depreciated	2,252	2,252	0.00%
Capital assets, net of accumulated depreciation	47,107	49,045	-3.95%
Total assets	<u>72,402</u>	<u>72,943</u>	<u>-0.74%</u>
Long-term liabilities	38,873	42,676	-8.91%
Other liabilities	3,874	3,642	6.37%
Total liabilities	<u>42,747</u>	<u>46,318</u>	<u>-7.71%</u>
Invested in capital assets, net of related debt	21,289	19,788	7.59%
Restricted for:			
Tax certiorari	290	290	0.00%
Unemployment insurance	1,294	1,406	-7.97%
Employee benefit accrued liability	7,887	7,863	0.31%
Repairs	260	259	0.39%
Capital projects	687	685	0.29%
Retirement contribution	1,208	754	60.21%
Unrestricted (deficit)	(3,260)	(4,420)	-26.24%
Total net assets	<u>\$ 29,655</u>	<u>\$ 26,625</u>	<u>11.38%</u>

**Figure A-4**

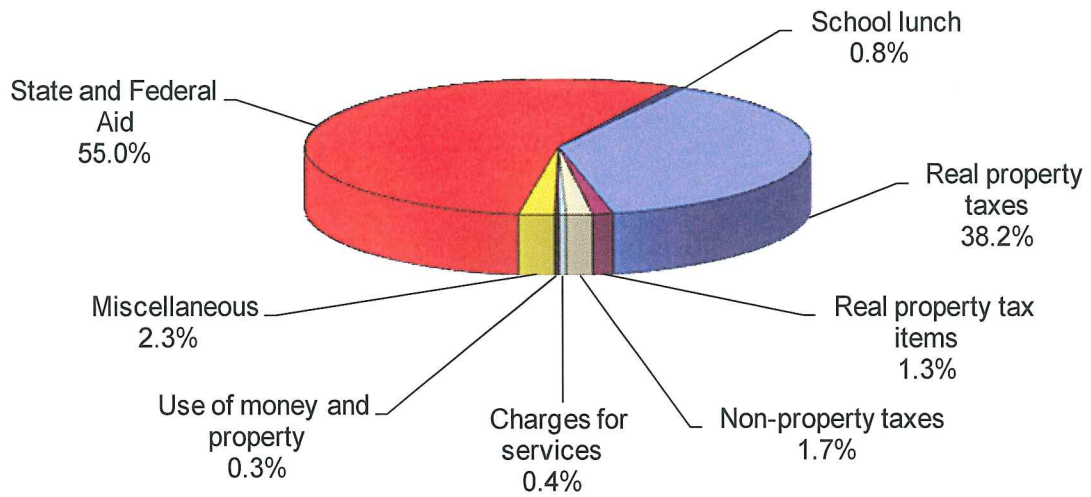
**Changes in Net Assets**  
*(in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2012	2011	2011-2012
<b>Revenues:</b>			
Real property taxes	\$ 17,775	\$ 17,040	4.31%
Real property tax items	624	618	0.97%
Non-property taxes	782	706	10.76%
Charges for services	205	269	-23.79%
Use of money and property	126	147	-14.29%
Miscellaneous	1,060	704	50.57%
Sale of property and compensation for loss	4	76	-94.74%
State and federal aid	25,592	26,369	-2.95%
School lunch	396	394	0.51%
Loss on sale of equipment	(8)	-	100.00%
Total revenues	46,556	46,323	0.50%
<b>Expenses:</b>			
General support	5,257	5,663	-7.17%
Instruction	32,923	34,101	-3.45%
Transportation	1,148	1,135	1.15%
Debt service	1,162	1,236	-5.99%
School lunch	1,043	1,052	-0.86%
Depreciation	1,993	1,690	17.93%
Total expenses	43,526	44,877	-3.01%
Change in net assets	\$ 3,030	\$ 1,446	109.54%



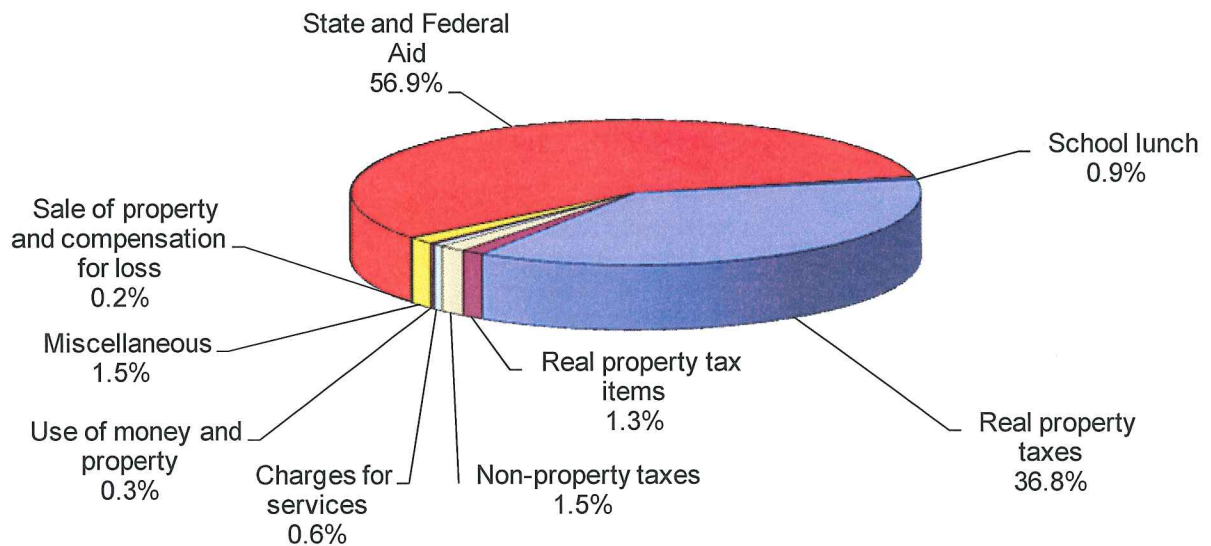
**Figure A-5**

**Sources of Revenues for Fiscal Year 2012**



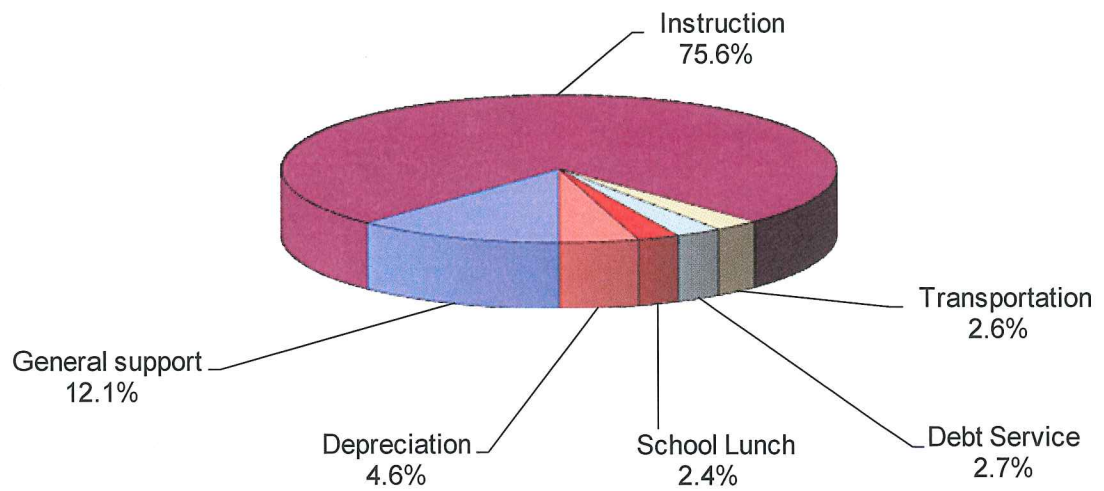
**Figure A-5**

**Sources of Revenues for Fiscal Year 2011**



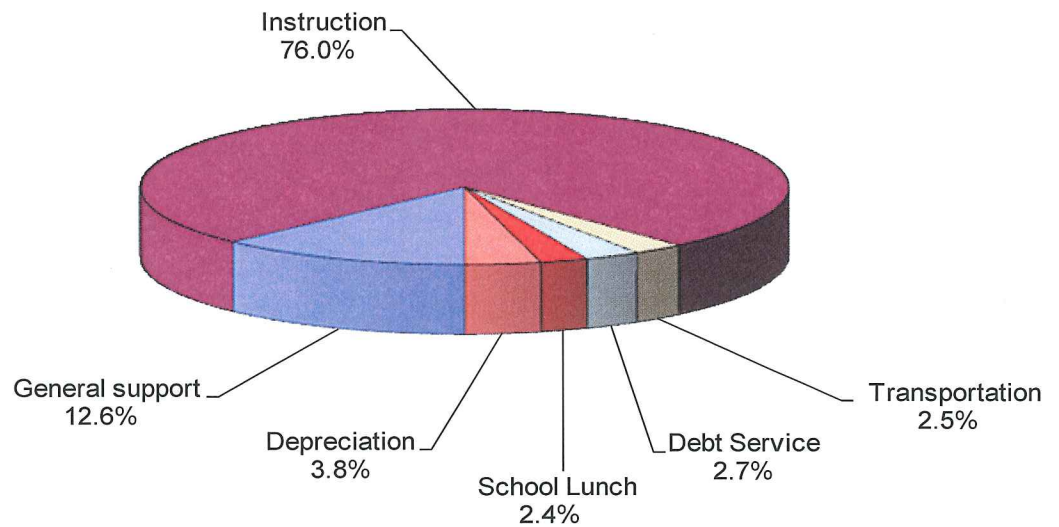
**Figure A-6**

**Expenses for Fiscal Year 2012**



**Figure A-6**

**Expenses for Fiscal Year 2011**



## Governmental Activities

This section presents the cost of seven major District activities: general support, instruction, pupil transportation, culture and recreation, 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 2012*

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

	Total Cost of Services		Percentage Change 2011-2012	Net Cost of Services		Percentage Change 2011-2012
	2012	2011		2012	2011	
General support	\$ 5,257	\$ 5,663	-7.17%	\$ 5,168	\$ 5,574	-7.28%
Instruction	32,923	34,101	-3.45%	24,227	24,846	-2.49%
Pupil transportation	1,148	1,135	1.15%	302	252	19.84%
Debt service	1,162	1,236	-5.99%	1,162	1,236	-5.99%
School lunch	1,043	1,052	-0.86%	(52)	(6)	766.67%
Depreciation	1,993	1,690	17.93%	1,993	1,690	17.93%
Total	<u>\$ 43,526</u>	<u>\$ 44,877</u>	<u>-3.01%</u>	<u>\$ 32,800</u>	<u>\$ 33,592</u>	<u>-2.36%</u>

### **Financial Analysis of The District's Funds**

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

#### Governmental Funds:

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$18,810,945. \$7,073,549 constitutes unreserved (assigned and unassigned) fund balance, of which \$2,241,625 has been designated for subsequent years' expenditures (as appropriated fund balance) and represents the amount estimated for use in the 2012-2013 budget. The remainder of the fund balance, \$11,737,396 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 \$290,561; a reserve for unemployment insurance of \$1,294,550; a reserve for employee benefit accrued liability of \$7,886,523; a reserve for repairs of \$259,950; a capital projects reserve of \$686,999; and a reserve for retirement contribution of \$1,208,386.

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 \$15,931,878, of which \$1,508,767 or 3.8% 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 \$1,453,565.

**Figure A-8**

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

**2012**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 38,440	\$ 36,986	\$ 15,932
Debt Service Fund	4,522	4,818	2,522
Special Aid Fund	2,606	2,606	-

**2011**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 38,294	\$ 38,472	\$ 14,478
Debt Service Fund	4,674	4,804	2,818
Special Aid Fund	2,629	2,629	-



## General Fund Budgetary Highlights

The District underexpended a significant amount of its amended budget and conservatively estimated revenues. By continuing a conservative budget process the District was able to maintain its reserves and continued funding of the Retirement Contributions reserve in anticipation of future needs due to anticipated reductions in State Aid and increases in expected district contribution to the NYS Employees Retirement System. The reserve for employee benefit accrued liability at June 30, 2012 was \$7,886,523 and represents 75.76% of the District's projected total long-term liability for current employee and retiree post employment health insurance costs. The repair reserve, retirement contributions reserve and the unemployment insurance reserve are also funded as part of the District's long range financial plan.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2012 the District had capital assets of \$73,733,850 (\$49,358,640, net of accumulated depreciation), invested in a broad range of capital assets including land, construction in progress, 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
	2012	2011	2011-2012
Land	\$ 2,252	\$ 2,252	0.00%
Buildings	41,926	47,597	-11.91%
Furniture and equipment	5,181	1,448	257.80%
Total	<u>\$ 49,359</u>	<u>\$ 51,297</u>	<u>-3.78%</u>

## Long-Term Obligations

At June 30, 2012, the District had in general obligations and other long-term debt outstanding, as follows:

**Figure A-10**

<b>Outstanding Long-Term Debt</b> <b>(in thousands of dollars)</b>			
	Governmental Activities and Total District		Percentage Change
	2012	2011	2011-2012
General obligation bonds and notes (financed with property taxes)	\$ 28,070	\$ 31,710	-11.48%
Retirement incentives	802	1,020	-21.37%
Compensated absences	10,410	10,317	0.90%
Total	<u>\$ 39,282</u>	<u>\$ 43,047</u>	<u>-8.75%</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 2013 bill (billing period April 2012 through March 2013) will be approximately 25.20% for Tier 1 employees (a 18.31% increase); 23.10% for Tier 2 employees (a 18.46% increase); 18.50% for Tier 3 employees (a 18.59% increase); 18.50% for Tier 4 employees (a 18.59% increase); 15.00% for Tier 5 (new tier as of January 1, 2010, an increase of 19.05%) and Tier 6 (new tier as of April 1, 2012). Tentative 2014 rates are as follows: 28.50% for Tier 1 (an 13.10% increase); 26.10% for Tier 2 (an 13.48% increase); 20.90% for both Tiers 3 & 4 (an 13.59% increase); 16.80% for Tier 5 (an 12.00% increase) and 11.40% for Tier 6 (an 14.00% increase).

The New York State Teachers' Retirement System has also indicated the rate to be used to calculate the TRS expenditures for 2012-13 fiscal year will be 11.84% of eligible salaries. This is an increase of 6.57% compared to 2011-12. In 2011-2012 fiscal year the rate was 11.11% for eligible salaries. This 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 is in the process of being sold. All remaining staff and students from the consolidation have been absorbed within the remaining buildings.

The District is now required by law to operate under a 2% tax cap limit on the tax levy. The District can only exceed the limit if greater than 60% of the voters approve the increase in levy. If the budget is not approved by the voters, the District must eliminate any increases in the tax levy as there is no tax levy increase allowed.

**Contacting the District's Financial Management**

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

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

ASSETS

Cash and cash equivalents	\$ 20,105,232
State and federal aid receivable	1,007,143
Taxes receivable	501,686
Accounts receivable	119,382
Due from other governments	1,194,530
Due from fiduciary funds	4,179
Prepaid expenses	94,700
Inventory	15,727
Capital assets not being depreciated	2,252,349
Capital assets, net of accumulated depreciation	<u>47,106,291</u>
 Total assets	 <u>72,401,219</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	901,451
Accrued liabilities	723,882
Accrued interest payable	143,532
Due to other governments	36,650
Deferred revenue	7,409
Due to retirement systems	2,060,556
Long-term liabilities:	
Due and payable within one year	4,190,487
Due and payable after one year	<u>34,682,508</u>
 Total liabilities	 <u>42,746,475</u>

NET ASSETS:

Invested in capital assets, net of related debt	21,288,640
Restricted for:	
Tax certiorari	290,561
Unemployment insurance	1,294,550
Employee benefit accrued liability	7,886,523
Repairs	259,950
Capital projects	686,999
Retirement contribution	1,208,386
Unrestricted (deficit)	<u>(3,260,865)</u>
 Total net assets	 <u>\$ 29,654,744</u>



**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets
	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions		
Governmental activities:	Expenses				
General support	\$ 4,352,563	\$ 904,522	\$ 88,704	\$ -	\$ (5,168,381)
Instruction	25,373,147	7,550,186	115,941	8,580,410	(24,226,982)
Pupil transportation	1,139,807	8,219	-	845,825	(302,201)
Debt service	1,162,321	-	-	-	(1,162,321)
School lunch	1,043,010	-	396,259	699,627	52,876
Unallocated employee benefits	8,462,927	(8,462,927)	-	-	-
Unallocated depreciation	1,993,798	-	-	-	(1,993,798)
Total governmental activities	\$ 43,527,573	\$ -	\$ 600,904	\$ 10,125,862	(32,800,807)
General revenues:					
					17,774,643
Real property taxes					624,421
Real property tax items					782,054
Non-property taxes					126,466
Use of money and property					4,035
Sale of property and compensation for loss					15,466,380
State and federal aid not restricted for a specific purpose					(7,556)
Loss on sale of equipment					1,059,648
Other miscellaneous revenues					35,830,091
Total general revenues					
Change in net assets					3,029,284
Net assets - beginning of year					26,625,460
Net assets - end of year					\$ 29,654,744

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 17,082,339	\$ 2,521,770	\$ 152,309	\$ 348,814	\$ 20,105,232
State and federal aid receivable	518,375	-	477,214	11,554	1,007,143
Taxes receivable	501,686	-	-	-	501,686
Accounts receivable	118,375	-	-	1,007	119,382
Due from other governments	1,194,530	-	-	-	1,194,530
Due from other funds	553,435	-	30,025	3,552	587,012
Prepaid expenditures	94,700	-	-	-	94,700
Inventory	-	-	-	15,727	15,727
<b>Total assets</b>	<b>\$ 20,063,440</b>	<b>\$ 2,521,770</b>	<b>\$ 659,548</b>	<b>\$ 380,654</b>	<b>\$ 23,625,412</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 841,981	\$ -	\$ 59,402	\$ 68	\$ 901,451
Accrued liabilities	705,670	-	15,035	3,177	723,882
Due to other governments	-	-	35,855	795	36,650
Due to other funds	33,577	-	549,256	-	582,833
Deferred revenue	-	-	-	7,409	7,409
Deferred tax revenue	501,686	-	-	-	501,686
Due to retirement systems	2,048,648	-	-	11,908	2,060,556
<b>Total liabilities</b>	<b>4,131,562</b>	<b>-</b>	<b>659,548</b>	<b>23,357</b>	<b>4,814,467</b>

**BATAVIA CITY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**  
**(Continued)**

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
Fund Balances:					
Nonspendable	94,700	-	-	15,727	110,427
Restricted	11,626,969	-	-	-	11,626,969
Assigned	2,701,442	2,521,770	-	341,570	5,564,782
Unassigned	1,508,767	-	-	-	1,508,767
Total fund balances	<u>15,931,878</u>	<u>2,521,770</u>	<u>-</u>	<u>357,297</u>	<u>18,810,945</u>
Total liabilities and fund balances	<u>\$ 20,063,440</u>	<u>\$ 2,521,770</u>	<u>\$ 659,548</u>	<u>\$ 380,654</u>	

Amounts reported for governmental activities in the statement of net assets 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	49,358,640
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.	(38,872,995)
Interest is accrued and reported in the district-wide Statement of Net Assets but not on the fund basis Balance Sheet because it is not due and payable in the current period.	(143,532)
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenue in the Statement of Activities.	<u>501,686</u>
Net assets	<u>\$ 29,654,744</u>

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
<b>REVENUES:</b>					
Real property taxes	\$ 17,853,791	\$ -	\$ -	\$ -	\$ 17,853,791
Real property tax items	624,421	-	-	-	624,421
Non-property taxes	782,054	-	-	-	782,054
Charges for services	204,645	-	-	-	204,645
Use of money and property	117,483	8,396	-	587	126,466
Sale of property and compensation for loss	12,186	-	-	-	12,186
Miscellaneous local sources	910,391	-	118,742	16,243	1,045,376
Interfund revenues	14,272	-	-	-	14,272
State sources	17,808,470	4,514,295	367,776	30,341	22,720,882
Federal sources	112,458	-	2,089,616	669,286	2,871,360
School lunch	-	-	-	396,259	396,259
Total revenues	38,440,171	4,522,691	2,576,134	1,112,716	46,651,712
<b>EXPENDITURES:</b>					
General support	4,406,496	-	-	-	4,406,496
Instruction	23,277,980	-	2,112,222	-	25,390,202
Pupil transportation	1,097,110	-	42,697	-	1,139,807
Debt service	-	4,818,438	-	-	4,818,438
School lunch	-	-	-	1,043,010	1,043,010
Employee benefits	8,175,334	-	450,901	-	8,626,235
Total expenditures	36,956,920	4,818,438	2,605,820	1,043,010	45,424,188

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, 2012**  
**(Continued)**

	General	Debt Service	Special Aid	Non-Major School Lunch	Total Governmental Funds
Excess (deficit) of revenues over expenditures	1,483,251	(295,747)	(29,686)	69,706	1,227,524
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	-	-	29,686	-	29,686
Interfund transfers out	(29,686)	-	-	-	(29,686)
Total other financing sources (uses)	(29,686)	-	29,686	-	-
Net change in fund balances	1,453,565	(295,747)	-	69,706	1,227,524
Fund balances - beginning of year	14,478,313	2,817,517	-	287,591	17,583,421
Fund balances - end of year	\$ 15,931,878	\$ 2,521,770	\$ -	\$ 357,297	\$ 18,810,945



**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, 2012**

Net change in fund balances - total governmental funds	\$ 1,227,524
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 (\$1,993,798) exceeded capital outlays (\$70,988) in the current period.	(1,922,810)
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 assets differs from the change in fund balance by the net book value of the assets sold.	(15,707)
Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of debt repayments made in the current period.	3,640,000
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.	(92,442)
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.	255,750
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.	16,117
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.	(79,148)
Change in net assets of governmental activities	\$ <u><u>3,029,284</u></u>

See notes to basic financial statements.

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS -**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2012**

	Private Purpose Trust	Agency
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ -	\$ 409,881
Cash and cash equivalents - restricted	268,771	96,550
Restricted investments	<hr/> 260,421	<hr/> -
Total assets	\$ <hr/> 529,192	\$ <hr/> 506,431
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 16,000	\$ -
Agency liabilities	-	405,702
Extraclassroom activity balances	-	96,550
Due to other funds	<hr/> -	<hr/> 4,179
Total liabilities	16,000	506,431
NET ASSETS:		
Reserved for scholarships	<hr/> 513,192	<hr/> -
Total liabilities and net assets	\$ <hr/> 529,192	\$ <hr/> 506,431

See notes to basic financial statements.

BATAVIA CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS -  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	<hr/>
ADDITIONS:	
Interest	\$ 10,736
Gifts and donations	<hr/> 7,794
Total additions	18,530
DEDUCTIONS:	
Scholarships	34,000
Net decrease in fair value of investments	<hr/> 18,776
Total deductions	<hr/> 52,776
Change in net assets	(34,246)
Net assets - beginning of year	<hr/> 547,438
Net assets - end of year	\$ <hr/> <hr/> 513,192

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, 2012, the District was billed \$5,411,006 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 Assets 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 employees withholding.

**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 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 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, 2012 are reported as taxes receivable and deferred tax revenue.

**E. BUDGETARY DATA**

**1. BUDGET POLICIES**

The District's administration prepares a proposed budget for approval by the Board of Education for the General Fund. The 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.

**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.



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

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

The General Fund is the only major fund with a legally approved budget for the fiscal year ended June 30, 2012, and therefore, the only fund required to be 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, 2012.

**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.

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.

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

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

**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 REVENUE**

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

**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.



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

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

**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 Assets.

**Q. FUND EQUITY**

District-wide statements:

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

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

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

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

Fund statements:

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

**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, 2012, the District did not adopt any new accounting pronouncements.

The GASB has issued the following new statements:

- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending June 30, 2013;
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending June 30, 2013;
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will be effective for the year ending June 30, 2013;
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending June 30, 2014; and
- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*, which will be effective for the year ending June 30, 2014.

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

**T. RECLASSIFICATIONS**

Certain reclassifications have been made to the 2011 fixed assets classifications to conform with current year presentation.

**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, 2012

\$ 15,931,878

Deduct outstanding encumbrances

459,817

**BUDGETARY BASIS - Fund balance - June 30, 2012**

**\$ 15,472,061**



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

**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, 2012.

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 \$96,550 in the Agency Fund restricted for extraclassroom activities, and \$268,771 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.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal 102% 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, 2012</u>
198	Shares Comcast Corporation	\$ -	\$ 6,330
34	Shares NCR Corporation	-	779
34	Shares Teradata Corporation	-	2,466
1323	Shares American Telephone and Telegraph, Inc.	2,820	46,596
3527	Shares Putnam Investors Fund, Inc.	27,852	48,395
68	Shares Alcatel-Lucent	1,141	110
19	Shares LSI Corporation	-	121
3210	Shares Eastman Kodak	200,000	706
638	Shares Verizon	5,498	28,040
31	Shares Idearc, Inc.	-	-
12	Shares Fair Point Communications	-	74
3579	Shares JP Morgan Chase	24,319	126,804
			<u>\$ 260,421</u>

For the year ended June 30, 2012, the District recognized a net loss on investments of \$18,776.

2. RECEIVABLES

Major revenues accrued by the District include the following at June 30, 2012:

General Fund:	
Taxes receivable	\$ <u>501,686</u>
Due from other governments - BOCES' aid	\$ <u>1,194,530</u>

**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, 2012:

General Fund:	
State aid - excess aid	\$ 511,155
Medicaid	<u>7,220</u>
	<u>\$ 518,375</u>
Special Aid Fund:	
Section 619	\$ 34,926
Career and technical education	18,751
Race to the top	10,323
Title I	49,682
Universal Pre-Kindergarten	35,450
Summer school	260,039
Education jobs fund	65,145
Miscellaneous	<u>2,898</u>
	<u>\$ 477,214</u>

**3. INTERFUND ACTIVITY**

Interfund balances and activity at June 30, 2012 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 553,435	\$ 33,577	\$ -	\$ 29,686
School Lunch Fund	3,552	-	-	-
Special Aid Fund	30,025	549,256	29,686	-
Agency Fund	<u>-</u>	<u>4,179</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 587,012</u>	<u>\$ 587,012</u>	<u>\$ 29,686</u>	<u>\$ 29,686</u>

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

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

**4. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/12</u>
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>



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

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

	Balance 6/30/11	Additions	Retirements/ Reclassifications	Balance 6/30/12
Capital assets that are depreciated:				
Buildings	59,014,279	-	-	59,014,579
Furniture and equipment	12,564,480	70,988	168,246	12,467,222
Total capital assets, being depreciated	71,578,759	70,988	168,246	71,481,501
Less accumulated depreciation:				
Buildings	15,704,880	1383,342	-	17,088,222
Furniture and equipment	6,829,071	610,456	152,539	7,286,988
Total accumulated depreciation	22,533,951	1,993,798	152,539	24,375,210
Total capital assets, being depreciated, net	49,044,808	(1,922,810)	15,707	47,106,291
Governmental activities capital assets, net	\$ 51,297,157	\$ (1,922,810)	\$ 15,707	\$ 49,358,640

**B. LIABILITIES**

**1. PENSION PLANS**

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

**PLAN DESCRIPTIONS**

**Teachers' Retirement System (TRS)**

The New York State Teachers' Retirement System is administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the 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.



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

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

FUNDING POLICIES

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3.0% 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>
2012	\$ 862,438	\$ 1,634,209
2011	533,413	1,166,340
2010	364,020	1,370,385

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. The District chose to prepay the required contributions by December 15, 2011 and received an overall discount of \$7,751.

**2. 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 \$1,162,321 of expenditures for long-term debt interest on their district-wide financial statements.
- 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, 2012:

	<u>Balance</u> <u>6/30/11</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>6/30/12</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt:					
Serial bonds	\$ 31,710,000	\$ -	\$ 3,640,000	\$ 28,070,000	\$ 3,670,000
Other long-term debt:					
Compensated absences	10,317,303	2,261,156	2,168,714	10,409,745	520,487
Retirement incentives	<u>1,020,000</u>	<u>153,600</u>	<u>370,950</u>	<u>802,650</u>	<u>409,400*</u>
Total long-term liabilities	<u>\$ 43,047,303</u>	<u>\$ 2,414,756</u>	<u>\$ 6,179,664</u>	<u>\$ 39,282,395</u>	<u>\$ 4,599,887*</u>

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

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

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

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

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/12</u>
Technology project	12/29/10	06/15/25	Various	\$ 3,265,000
John Kennedy	05/15/03	05/15/18	Various	4,865,000
Refunding serial bonds	12/14/02	06/15/14	Various	1,540,000
Improvement project	03/15/04	03/15/19	Various	8,850,000
Batavia High School	11/01/07	06/15/22	Various	<u>9,550,000</u>
Total				<u>\$ 28,070,000</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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 3,670,000	\$ 1,053,525
2014	3,815,000	924,175
2015	3,140,000	785,601
2016	3,265,000	672,338
2017	3,370,000	551,801
2018-2022	9,910,000	1,115,502
2023-2025	<u>900,000</u>	<u>68,250</u>
Total	<u>\$ 28,070,000</u>	<u>\$ 5,171,192</u>

**C. FUND BALANCE**

As of June 30, 2012, 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, 2012, 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.



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

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

As of June 30, 2012, 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	\$ 94,700	\$ -	\$ -	\$ 94,700
Inventory	-	-	15,727	15,727
<u>Restricted:</u>				
Unemployment Insurance	1,294,550	-	-	1,294,550
Retirement	1,208,386	-	-	1,208,386
Tax Certiorari	290,561	-	-	290,561
Capital	686,999	-	-	686,999
Repairs	259,950	-	-	259,950
Employee Benefits Accrued Liability	7,886,523	-	-	7,886,523
<u>Assigned:</u>				
Subsequent years' expenditures	2,241,625	-	-	2,241,625
Encumbrances:				
General government	208,613	-	-	208,613
Instruction	238,569	-	-	238,569
Pupil transportation	2,226	-	-	2,226
Employee benefits	10,409	-	-	10,409
Debt Service	-	2,521,770	-	2,521,770
School Lunch	-	-	341,570	341,570
<u>Unassigned:</u>				
General fund	<u>1,508,767</u>	<u>-</u>	<u>-</u>	<u>1,508,767</u>
Total	<u>\$ 15,931,878</u>	<u>\$ 2,521,770</u>	<u>\$ 357,297</u>	<u>\$18,810,945</u>

The District 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.

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, 2012 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.

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

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

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, 2012 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.



**BATAVIA CITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Amended Budget
<b>REVENUES:</b>				
Local sources:				
Real property taxes	\$ 17,785,805	\$ 17,785,805	\$ 17,853,791	\$ 67,986
Real property tax items	470,106	470,106	624,421	154,315
Non-property tax items	720,000	720,000	782,054	62,054
Charges for services	121,000	121,000	204,645	83,645
Use of money and property	76,000	76,000	117,483	41,483
Sale of property and compensation for loss	19,000	19,000	12,186	(6,814)
Miscellaneous local sources	225,000	225,000	910,391	685,391
Interfund revenues	-	-	14,272	14,272
State sources:				
Basic formula, excess cost and lottery aid	14,853,018	14,853,018	14,882,640	29,622
BOCES	2,855,566	2,855,566	2,654,510	(201,056)
Other	206,660	206,660	271,320	64,660
Federal sources	645,584	645,584	112,458	(533,126)
<b>Total revenues</b>	<b>37,977,739</b>	<b>37,977,739</b>	<b>38,440,171</b>	<b>462,432</b>
Other sources:				
Appropriated fund balance	1,778,106	1,778,106	-	(1,778,106)
<b>Total revenues and other sources</b>	<b>\$ 39,755,845</b>	<b>\$ 39,755,845</b>	<b>\$ 38,440,171</b>	<b>\$ (1,315,674)</b>

See independent auditor's report.  
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**BATAVIA CITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(Continued)**

	Original Budget	Amended Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>EXPENDITURES:</b>					
General support:					
Board of education	\$ 26,978	\$ 26,978	\$ 23,849	\$ -	\$ 3,129
Central administration	331,634	331,634	330,143	247	1,244
Finance	706,861	510,753	456,553	46,783	7,417
Staff	204,620	204,620	173,526	2,520	28,574
Central services	3,363,001	3,363,001	2,599,798	159,063	604,140
Special items	850,015	850,015	822,627	-	27,388
Instruction:					
Instruction, administration and improvements	1,538,494	1,538,494	1,388,574	3,717	146,203
Teaching - regular school	12,286,393	11,895,514	11,522,236	65,006	308,272
Programs for children with handicaps	5,238,340	5,238,340	4,723,810	145,964	368,566
Occupational education	1,015,080	1,015,080	1,010,220	-	4,860
Instructional media	2,350,319	2,937,305	2,819,528	20,316	97,461
Pupil services	1,921,793	1,921,793	1,813,612	3,566	104,615
Pupil transportation	1,257,081	1,257,081	1,097,110	2,226	157,745
Employee benefits	8,635,550	8,635,550	8,175,334	10,409	449,807
Total expenditures	39,726,159	39,726,158	36,956,920	459,817	2,309,421
Other uses:					
Interfund transfers out	29,686	29,686	29,686	-	-
Total expenditures and other uses	\$ 39,755,845	\$ 39,755,844	36,986,606	459,817	\$ 2,309,421
Net change in fund balance			\$ 1,453,565		

**SECTION B**  
**SUPPLEMENTAL SCHEDULES**

BATAVIA CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET  
TO REVISED BUDGET - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

Adopted budget	\$ 39,366,045
Additions:	
Encumbrances from prior year	<u>389,800</u>
Original budget	\$ <u>39,755,845</u>



**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUES AND**  
**EXPENDITURES COMPARED TO ST-3 DATA**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ST-3</u> <u>Account Code</u>	<u>ST-3</u> <u>Amount</u>	<u>Audited</u> <u>Amount</u>
REVENUES:			
Property Taxes	A-1001	\$ 14,608,612	\$ 14,208,612
Non Property Taxes	AT-1199	782,054	782,054
State Aid	AT-3999	17,808,470	17,808,470
Federal Aid	AT-4999	112,458	112,458
Total Revenues	AT-5999	38,440,175*	38,440,171
EXPENDITURES:			
General Support	AT-1999	\$ 4,406,496	\$ 4,406,496
Pupil Transportation	AT-5599	1,097,110	1,097,110
Debt Service - Principal	AT-9798.6	-	-
Debt Service - Interest	AT-9798.7	-	-
Total Expenditures	AT-9999	39,986,606	36,986,606

\*Due to rounding differences.

BATAVIA CITY SCHOOL DISTRICT  
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2012

Capital assets, net		\$ 49,358,640
Deduct:		
Current portion of serial bonds payable	3,670,000	
Long-term portion of serial bonds payable	<u>24,400,000</u>	<u>28,070,000</u>
Invested in capital assets, net of related debt		\$ <u>21,288,640</u>

**SECTION C**  
**SUPPLEMENTARY INFORMATION -**  
**FEDERAL FINANCIAL ASSISTANCE**

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<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	---	\$ 32,338
National School Lunch Program	10.555	---	491,069
National School Breakfast Program	10.553	---	145,879
Total U.S. Department of Agriculture			<u>669,286</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 - 2010-2011	84.010	0021-11-1000	67,149
Title I - 2011-2012	84.010	0021-12-1000	504,451
Title I School Improvement - 2011-2012	84.010	0011-12-2036	10,075
ARRA - Title I - 2010-2011	84.389	5021-11-1000	1,824
Handicapped-State Grants - Part B,			
Education of the Handicapped			
Section 611 - 2010-2011	84.027*	0032-11-0276	25,325
Section 611 - 2011-2012	84.027*	0032-12-0276	560,969
ARRA - Section 611 - 2010-2011	84.391*	5032-11-0276	46,901
Education of the Handicapped			
Section 619 - 2010-2011	84.173*	0033-11-0276	11,755
Section 619 - 2011-2012	84.173*	0033-12-0276	51,800
ARRA - Section 619 - 2010-2011	84.392*	5033-11-0276	7,023
Federal, State, and Local Partnership for			
Education Improvement			
Title IIA - 2010-2011	84.367	0147-11-1000	99,142
Title IIA - 2011-2012	84.367	0147-12-1000	27,649
Career and Technical Education -			
National Programs - 2010-2011	84.051	8000-11-0090	28,004
National Programs - 2011-2012	84.051	8000-12-0090	25,945
ARRA - Race to the Top - 2010-2011	84.395	5500-11-1000	1,325
ARRA - Race to the Top - 2011-2012	84.395	5500-12-1000	44,309
ARRA - Education Jobs Fund - 2011-2012	84.410*	5400-12-1000	<u>575,970</u>
Total U.S. Department of Education			<u>2,089,616</u>
Total Expenditures of Federal Awards			<u>\$2,758,902</u>

\*Denotes Major Program



**BATAVIA CITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**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, 2012, the District received \$32,338 worth of commodities under the Surplus Food Distribution Program (CFDA 10.555).

## **SECTION D**

### **INTERNAL CONTROL AND COMPLIANCE**



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Batavia City School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Batavia City School District in a separate letter dated September 25, 2012.

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 25, 2012



**Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Batavia City School District (the District) with the types of compliance requirements described in the 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, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 25, 2012

**BATAVIA CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**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?       yes     X    no

Significant deficiency(ies) identified?       yes     X    none reported

Noncompliance material to financial statements noted?       yes     X    no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?       yes     X    no

Significant deficiency(ies) identified?       yes     X    none reported

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

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

Identification of major programs: CFDA#

Special Education Cluster (including ARRA) 84.027/84.173/84.391/84.392  
Education Jobs Fund (including ARRA) 84.410

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, 2012**

**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, 2012**

**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 Assets of the  
Extraclassroom Activity Funds**

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

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets of the Extraclassroom Activity Funds of Batavia City School District (the District), as of and for the year ended June 30, 2012. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the year ended June 30, 2012, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 25, 2012

**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS**  
**NET ASSETS OF THE EXTRACURRICULAR ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Balance <u>June 30, 2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2012</u>
Class of 2010	\$ 598	\$ -	\$ -	\$ 598
Class of 2011	4,275	-	4,275	-
Class of 2012	3,974	36,122	39,921	175
Class of 2013	6,444	12,564	7,581	11,427
Class of 2014	1,407	6,897	4,127	4,177
Class of 2015	-	5,715	3,571	2,144
Batavian	2,190	10,601	9,238	3,553
BHS Student Government	1,981	12,872	9,030	5,823
BHS Ski Club	329	6,274	6,430	173
BHS Book Store	320	-	-	320
BHS Literary	-	-	190	(190)
BHS Band	673	200	-	873
BHS Chorus	7,783	612	223	8,172
BHS Assembly	496	159	655	-
BHS Virtual Team	339	-	144	195
Barber Shop	271	1,465	1,384	352
A.P. Fund	(2)	2	-	-
National Honor Society	393	10,255	10,894	(246)
BHS Language Club	56	-	-	56
SADD	121	3,194	3,171	144
Project Graduation	(291)	1,585	1,037	257
BHS Technology	284	-	-	284
BHS Tennis	31	-	-	31
Tri-M	1,262	785	547	1,500
BMS Band	1,824	-	-	1,824
BMS Yearbook	8,332	7,412	7,342	8,402
BMS Orchestra	8,331	195	3,461	5,065
Character Education	214	222	198	238
BMS Assembly	3,953	74	4,027	-
BMS Student Council	1,281	7,470	3,855	4,896
BMS Honor Society	1,399	-	638	761
BMS AHEAD	207	1,823	1,984	46
Outdoor Club	516	4,794	4,652	658
7th Grade - Team II	6,338	3,191	6,688	2,841
Subtotal	\$ 65,329	\$ 134,484	\$ 135,263	\$ 64,550

See note to financial statement.



**BATAVIA CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS**  
**NET ASSETS OF THE EXTRACLASSROOM ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(Continued)**

	Balance June 30, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
8th Grade - Team I & II	\$ 1,360	\$ 5,343	\$ 6,098	\$ 605
BMS Book Fair	5	-	5	-
R. Morris Student Council	391	1,993	2,320	64
J. Kennedy Media	3,121	3,377	3,914	2,584
J. Kennedy Council	770	909	571	1,108
J.K. 5th Grade	479	6,258	6,258	479
BHS Scholastic Bowl	452	-	-	452
BMS Literacy Magazine	12	-	-	12
High School Production	10,488	5,527	6,387	9,628
Girls Volleyball	2	-	-	2
Jackson Student Council	4,653	-	1,959	2,694
Jackson 5th Grade	510	4,421	4,710	221
BMS 6th South/North	5,540	21,219	21,505	5,254
BMS Ski Club	24	9,104	9,084	44
Pageturners	324	67	225	166
Step team	310	-	-	310
Art Club	400	941	1,220	121
Model UN	22	-	-	22
BHS Drama	3,902	1,126	886	4,142
RM School Store	262	-	-	262
BMS Drama	521	301	519	303
NYS Sales Tax	2,287	4,336	4,255	2,368
Interest Checking	1,095	514	450	1,159
Subtotal	\$ 36,930	\$ 65,436	\$ 70,366	\$ 32,000
Subtotal (E2)	\$ 65,329	\$ 134,484	\$ 135,263	\$ 64,550
Total	\$ 102,259	\$ 199,920	\$ 205,629	\$ 96,550

See note to financial statement.

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

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

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Batavia City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Assets - Fiduciary Funds at June 30, 2012.

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

Sales Lab, 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 Assets of the Extraclassroom Activity Funds for record keeping purposes.

BATAVIA CITY SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUNDS  
SUMMARY OF AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

CASH RECEIPTS

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

Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued at the point of sale and a preaudit of receipts was available for each major fundraiser. Although some clubs do perform cash receipt reconciliations during some fund-raising events, the controls need to be implemented for all events and by all clubs.

Extraclassroom activity funds are derived from a number of sources such as admissions, sales and campaigns, and donations. The procedures used in collecting and preauditing (checking) these several types of receipts will naturally vary. As far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

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

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

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

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

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

ACTIVITY FUND MANAGEMENT

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

The Board of Education has the ultimate responsibility for the safeguarding of the Extraclassroom Activity Fund. The Board delegates this responsibility to the Central Treasurer, the Faculty Advisors and the Student Treasurers.

BATAVIA CITY SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUNDS  
SUMMARY OF AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

In order to help monitor the plans and operations of the various activities, we suggest that at the start of each school year the activity advisors and activity officers prepare a program outline indicating the various events to be held, the anticipated profits and the plans for the proceeds. A copy of the program outline should be given to the faculty advisor and the Central Treasurer so they can anticipate the various events throughout the year.

As each event is completed, the program outline should be compared to the actual results. The Profit and Loss Analysis should be filed with the activity records for future reference.

RECONCILIATION OF STUDENT LEDGERS

During our audit of the Extraclassroom Activity Fund, we noted instances where the student ledgers 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.

DEFICIT CLUB BALANCES

At June 30, 2012, the following clubs had deficit cash and net assets:

- BHS Literacy
- HS National Honor Society

We recommend the Central Treasurer and Faculty Advisor review funds available in each club's account before making any disbursements.

INACTIVE CLUBS

During our audit, we noted twelve clubs that were eligible but recorded no activity. We recommend that inactive clubs be discontinued and cash balances be distributed in accordance with Board policy.

FUNDRAISING

During our audit, we noted two instances in which fundraising activities were not approved as required by District policy.

We recommend all fundraising activities be approved in accordance with District policy.