

**CITY SCHOOL DISTRICT OF
SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**Financial Statements and Required Reports
Under OMB Circular A-133 as of
June 30, 2015**

Bonadio & Co., LLP
Certified Public Accountants

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

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INDEPENDENT AUDITOR'S REPORT

December 14, 2015

To the Board of Education
City School District of Syracuse, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City School District of Syracuse, New York (the District), a component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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 City School District of Syracuse, New York, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As described in Note 3 to the financial statements, the District corrected its reporting for pollution remediation under Governmental Accounting Standards Board Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations. Our opinions on the financial statements are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund, Schedule of Funding Progress for Postemployment Benefits, Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions-Pension Plans on pages 4-16 and 54-57 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City School District of Syracuse, New York's basic financial statements. The supplementary information on pages 60-61, as required by New York State Education Department and the combining and individual nonmajor fund financial statements on pages 58-59, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplementary Information (Continued)

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

The supplementary information on pages 60-61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2015, on our consideration of the City School District of Syracuse, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City School District of Syracuse, New York's internal control over financial reporting and compliance.

Bonadio & Co., LLP

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

The purpose of the discussion and analysis of the Syracuse City School District's (the "District") financial performance is to provide the reader with an overall review of the District's financial activities including its blended component unit, Joint Schools Construction Board ("JSCB") for the year ended June 30, 2015. To enhance their understanding of the District's financial performance, readers should refer to the basic financial statements and the notes to the basic financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

Government-wide Statement Overview

- During the year the District provided program services at a net expense of \$373.6 million of which it received \$306.6 million from state and federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The District's combined net position for all activities decreased by \$5.6 million as a result of this year's operations.
- At June 30, 2015, combined net position for all activities was a deficiency of \$296.5 million mainly as a result of including other postemployment benefits expenditures of \$444.4 million.
- At June 30, 2015, combined capital assets, net of depreciation were \$251.5 million.
- The combined depreciation expense for all activities was \$5.7 million.
- The total long-term general obligation bonds payable, as of June 30, 2015, were \$156.3 million, a decrease of \$14.2 million from the prior year.

Fund Financial Statement Overview

- The total revenue for all governmental funds was \$463.5 million which was an increase of \$7.9 million or 1.7% over the 2013-2014 year.
- The final General Fund budget of \$380.6 million was an increase of \$9.9 million or 2.7% over the 2013-2014 year.
- General Fund revenues (including operating transfers in) of \$360.9 million were an increase of \$2.7 million or 0.8% over the 2013-2014 year.
- General Fund expenditures (including operating transfers out) of \$368.3 million were an increase of \$25.8 million or 7.5% over the 2013-2014 year.
- The General Fund's fund balance decreased by \$7.4 million from \$51.1 million to \$43.7 million due to an excess of expenditures over revenues.

USING THIS ANNUAL REPORT

This annual report consists of three components: MD&A (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:

- Government-wide financial statements that include the Statement of Net Position and the Statement of Activities and Changes in Net Position. These statements provide both short-term and long-term information about the activities of the District as a whole as well as the District's blended component unit, JSCB.
- Fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column. JSCB, a blended component unit of the District, is presented as a major component unit in the governmental fund financial statements.
- The governmental fund financial statements show how basic services such as general and special education were financed in the short-term as well as how much 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 those outside the District.

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 including a comparison of the District's General Fund budget to actual for the year.

Table 1 below summarizes the major features of the District's financial statements, including the portion of the District's activities covered and the types of information contained. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

USING THIS ANNUAL REPORT (Continued)

Table 1 Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid (Trust Fund only)

USING THIS ANNUAL REPORT (Continued)

Government-wide Financial Statements

One of the most fundamental and key questions relative to any School District is *How did we do financially during the course of this past year?* To help answer this question, the Statement of Net Position and the Statement of Activities and Changes in Net Position provide information on the School District as a whole using accounting methods similar to those used by private-sector companies. These statements present a summary of assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as revenues and expenses using the accrual basis of accounting similar to those methods used by private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities and Changes in Net Position regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net Position - the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

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

In the Government-wide Statement of Net Position and the Statement of Activities and Changes in Net Position, the District's activities are shown as Governmental Activities. The majority of the District's basic programs and services are reported here, including general and special education, pupil transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds, focusing on the most significant or "major" funds, rather than the District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to 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).

USING THIS ANNUAL REPORT (Continued)

Fund Financial Statements - (Continued)

The District has three types of activities:

- **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 that 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 School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund. 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. These funds are not reflected in the government-wide financial statements because these assets are not available to finance the District's operations.
- **Blended Component Unit:** The District includes one separate legal entity in this report - the Joint Schools Construction Board (JSCB). The JSCB is a joint venture between the District and the City. The JSCB is authorized to act as an agent to enter into contracts on behalf of the District and the Common Council of the City of Syracuse, New York (the Council) for the design, construction, reconstruction and financing of educational facilities in the City in accordance with applicable state and local laws. JSCB has a fiscal year which ends June 30.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 2) and the changes in net position (Table 3) of the District's governmental activities.

In Table 2, total governmental assets increased by approximately 31.9% mainly due to the inclusion of the District's proportionate share of the NYSTRS' net pension asset of \$119 million in conjunction with implementation of GASB Statement No. 68 and 71. Capital Assets also increased by \$8.6 million mainly due to the addition of construction in progress for the JSCB renovation projects and the purchase of replacement vehicles for the District's aging fleets.

Total liabilities increased by approximately 6.8% with Other Liabilities increasing \$62.0 million. The increase in the Other Liabilities category is mainly attributable to the growing liability for other postemployment benefits (OPEB) that rose by \$55.5 million this year and the addition of the District's proportionate share of the NYSERS' net pension liability of \$4.4 million as required by GASB Statement No. 68 and 71. The District also had additional payroll liabilities at year end for retroactive salary increases negotiated as part of several bargaining unit contract settlements.

Deferred outflows of \$31.5 million and deferred inflows of \$82.4 million were also recognized this year as part of the GASB Statement No. 68 and 71 implementation.

The District's combined governmental net deficit increased approximately \$5.6 million or 1.9%. At June 30, 2015, the total liabilities exceeded the total assets by \$296.5 million (net deficit).

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

**Table 2 - Condensed Statement of Net Position
(In Thousands of Dollars)**

	Governmental Activities		Percentage Change
	2014 (as restated)	2015	
Current and Other Assets	\$ 131,581	\$ 132,456	0.7%
Non-current Assets	249,907	370,894	48.4%
Total Assets	<u>381,488</u>	<u>503,350</u>	31.9%
Deferred Outflows of Resources	<u>28,781</u>	<u>31,480</u>	9.4%
Bonds Payable - Due in One Year	13,633	12,695	-6.9%
Bonds Payable - Due in More Than One Year	156,857	143,556	-8.5%
Other Liabilities	530,746	592,723	11.7%
Total Liabilities	<u>701,236</u>	<u>748,974</u>	6.8%
Deferred Inflows of Resources	<u>-</u>	<u>82,397</u>	100.0%
Net Position			
Net investments in capital assets	77,663	95,638	23.1%
Restricted	15,724	20,308	29.2%
Unrestricted (deficit)	(384,355)	(412,488)	-7.3%
Total Net Position	<u>\$ (290,968)</u>	<u>\$ (296,542)</u>	-1.9%

As shown on the next page in Table 3, the District's total revenues from governmental activities increased by 2.2% or \$9.8 million. The District received \$7.4 million in Federal e-Rate reimbursement revenue for capital projects in the current year which was \$4.8 million more than received in the prior year. The District also received a one-time award of \$1.3 million through the New York State School Technology Voucher Program as reimbursement for qualified technology purchases made over the past few years that enhanced computer-based testing and supported a technology-rich learning environment. Additionally, the District had a modest increase in State Aid of \$2.5 million that included one-time special legislative grants.

The cost of all governmental programs and services decreased by 1.6% or \$7.4 million with Instructional expenses decreasing \$12.4 million and General Support expenses increasing \$1.2 million due to the impact of the implementation of GASB Statement No. 68 and 71 with the District's share of the NYSTRS' and NYSERS' net pension asset and liability, respectively. When expenses are reviewed without this impact, salaries and related benefits increased \$5.9 million over the prior year due to staffing and professional development increases to implement Common Core standards, Annual Professional Performance Review requirements and Assurance of Discontinuance recommendations including trainings in Classroom Management, the Code of Conduct and Preventative Management as well as the retroactive wage increases negotiated during bargaining unit contract settlements. Implementation of these various instructional and school culture change initiatives also resulted in an increase in contract services expenses of \$12.4 million over the prior year.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

**Table 3 – Changes in Net Position from Operating Results
(In Thousands of Dollars)**

	Governmental Activities		Percentage
	2014	2015	Change
Revenues			
Program Revenues:			
Charges for Services	\$ 464	\$ 429	-7.5%
Operating Grants and Contributions	87,804	85,784	-2.3%
General Revenues:			
Property Taxes and Other Taxes	58,087	59,140	1.8%
State and Local Sources	293,410	295,927	0.9%
Federal Sources	3,751	10,703	185.3%
Use of Money and Property	235	256	8.9%
Miscellaneous	750	2,037	171.6%
Total Revenues	<u>444,501</u>	<u>454,276</u>	2.2%
Expenses			
General Support	55,512	56,713	2.2%
Instruction	368,411	355,979	-3.4%
Pupil Transportation	20,641	24,278	17.6%
Community Service	2,062	1,518	-26.4%
School Food Service Program	12,055	13,733	13.9%
Interest	8,618	7,630	-11.5%
Total Expenses	<u>467,299</u>	<u>459,851</u>	-1.6%
Increase (Decrease) in Net Position	<u><u>\$(22,798)</u></u>	<u><u>\$ (5,575)</u></u>	-75.5%

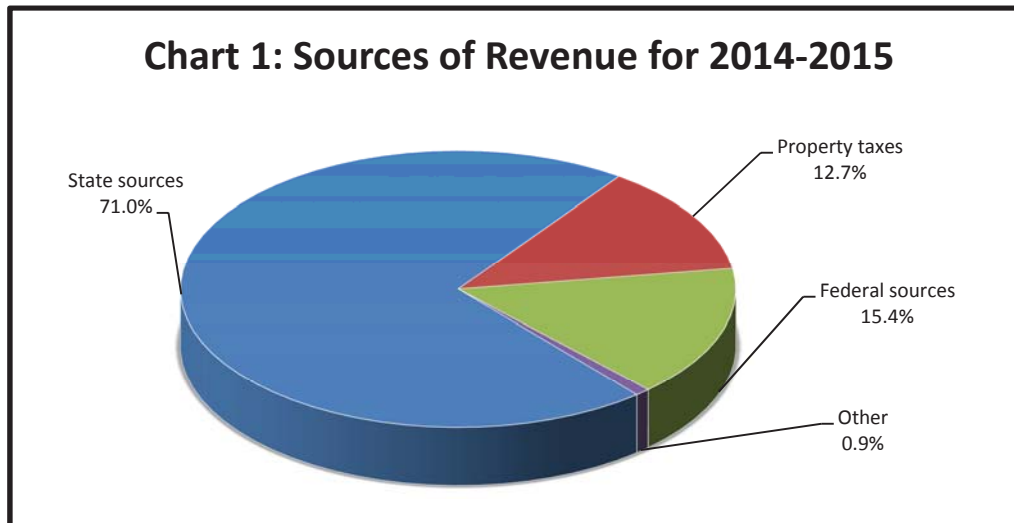
Additionally, despite actively managing costs including the implementation of new prescription drug contract pricing, health and prescription costs increased over \$3.0 million this year.

Charter School tuition expense increased \$2.0 million in the current year when compared with the prior year due to increases in the billing rate and charter school enrollment.

Pupil transportation expenses also increased as additional routes and bus aides were added and types of buses changed to meet student transportation needs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

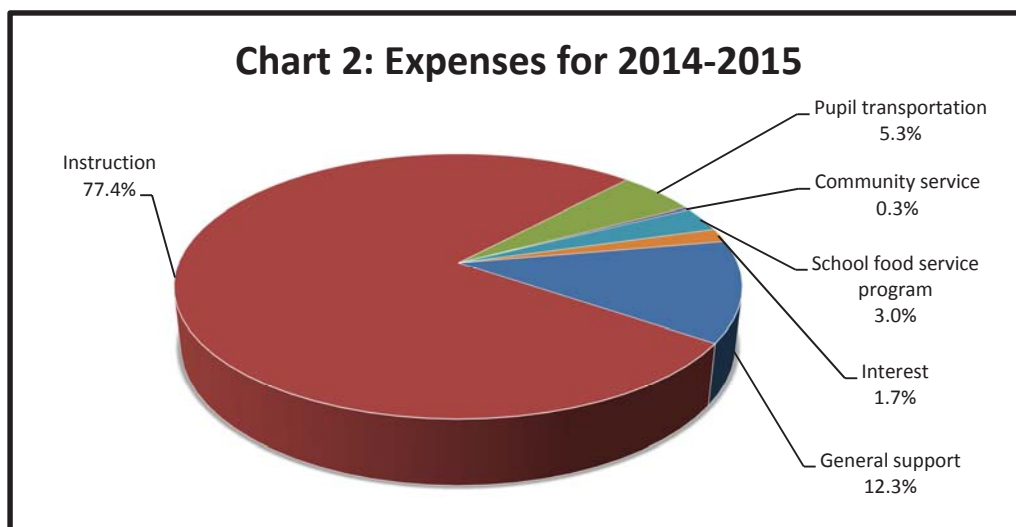
The District is dependent on New York State and Federal sources for financing day to day operations with these two funding sources comprising 86.4% of total Governmental Activities revenue as shown in Chart 1 below. This dependency results in sensitivity to changes in the State's fiscal condition as well as changes in the State and Federal governments' funding priorities.



The District spent 77.4% of total expenditures on Instruction including salaries and benefits for Teachers and Teaching Assistants and instructional supplies and 3.0% providing meals to students through the School Food Service Program as shown in Chart 2 below.

Pupil Transportation services to transport all students who are residents of the District to sites both within and outside of the District utilized 5.3% of total expenditures.

General Support services such as custodial, maintenance, accounting and administrative services made up approximately 12.3% of total expenditures.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$64.3 million, which is a decrease of \$8.6 million from the prior year combined fund balance of \$72.9 million (as restated). The fund balance represents the accumulated results of the current and all previous years' operations.

The total fund balance is segregated into non-spendable, restricted, committed, assigned and unassigned amounts based on nature of the restriction imposed on the District's ability to use those net assets for day-to-day operations. More detailed information on the nature of each category of fund balance is presented in Note 1 to the financial statements. As a measure of each fund's liquidity, it may be useful to compare both its unassigned fund balance and total fund balance to total fund expenditures.

General Fund

The General Fund's fund balance at June 30, 2015, is \$43.7 million, which is a decrease of \$7.4 million from the prior year fund balance of \$51.1 million. Of the balance at June 30, 2015, \$13.2 million was unassigned. The unassigned fund balance represents 3.6% of the total current year General Fund expenditures, while total fund balance represents 11.9% of that same amount.

JSCB

At June 30, 2015, the Joint Schools Construction Board (JSCB) blended component unit reported a fund balance of \$6.5 million, which is a decrease of \$1.4 million from the prior year fund balance of \$7.9 million (as restated). The entire amount of the fund balance is reserved for use in the related JSCB construction and renovation projects to be completed throughout the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original adopted General Fund budget of \$375.4 million was increased through a budget amendment to include \$5.2 million of encumbrances for expenditures from the prior fiscal year to create the final amended General Fund budget of \$380.6 million.

The actual charges to appropriations (expenditures) were \$12.3 million or 3.2% less than the final budget amount of \$380.6 million mainly due to lower than budgeted health and prescription costs from the new prescription drug contract pricing and lower claim volume and severity. Contract service costs were also less with actual contract amounts being less than budgeted estimates, the availability of grant funding for budgeted services and delayed implementation of some initiatives. Additionally, utilities costs were lower with the mild seasons and low natural gas prices. Unemployment costs also were lower due to consistent employment levels.

Resources available for appropriation (revenues) excluding the use of fund balance were \$66 thousand less than the final budgeted amount of \$360.9 million. Lower than anticipated State Aid revenues in expense reimbursement aid categories such as transportation and high cost excess cost were offset by the receipt of \$1.3 million through the New York State School Technology Voucher Program as reimbursement for qualified technology purchases made over the past few years that enhanced computer-based testing and supported a technology-rich learning environment that was not budgeted. The District also had higher than anticipated operating transfers in for indirect cost allocations from the School Food Service program and grants as the District received more grants with an indirect cost allocation than anticipated. This allocation is designed to help support the administrative costs associated with operating the School Food Service and grant funded programs.

For a more detailed comparison of budget to actual operating results by category, refer to the Required Supplementary Information Schedule of Revenues, Expenditures and Encumbrances – Budget and Actual- General Fund- for the Year Ended June 30, 2015.

CAPITAL ASSETS

At June 30, 2015, the District had \$251.5 million, net of depreciation and amortization, invested in a broad range of capital assets, including land, buildings, athletic facilities, vehicles, software and other equipment for governmental activities. This amount represents a net increase of \$8.6 million or 3.5% from last year (as restated). The increase is primarily due to the addition of construction in progress for major renovations at four schools implemented under Phase 1 of the Joint Schools Construction Board school reconstruction program and the purchase of replacement vehicles for the District's aging fleet.

**Table 4 - Capital Assets at Year End
(Net of Depreciation/Amortization, in Thousands of Dollars)**

	Governmental Activities		Percentage Change
	2014 (as restated)	2015	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	85	84	-1.2%
Buildings and Improvements	124,175	121,183	-2.4%
Furniture and Equipment	2,230	2,757	23.6%
Vehicles	531	1,603	201.9%
Software	3,521	2,946	-16.3%
Construction in Progress	110,856	121,415	9.5%
Total	<u>\$ 242,878</u>	<u>\$ 251,468</u>	3.5%

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2015, the District had \$156.3 million of bonds payable outstanding compared to \$170.5 million last year, a decrease of \$14.2 million or 8.3%. The District issued refunding bonds in the current year to refinance existing debt for a lower interest rate. As the District continues to renovate aging facilities, it is anticipated debt will increase in future years.

More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

CHALLENGES FACING THE DISTRICT

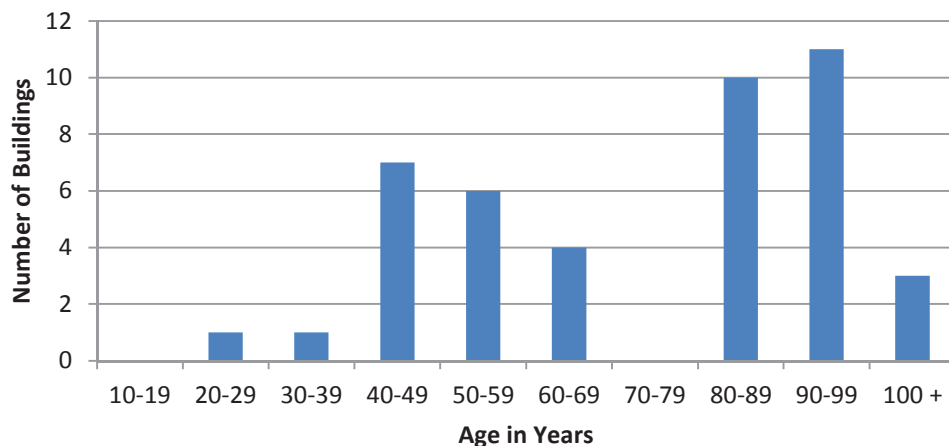
As a dependent school district without the authority to raise taxes or issue debt, the District is directly affected by local and State economic conditions. Like many urban based districts, the Syracuse City School District operates in an environment of fluctuating enrollment, increasing costs of operations (primarily salary, wages and employee benefits), an aging infrastructure and decreasing property tax valuations.

Maintaining and operating District facilities presents a significant challenge, one which is made more difficult given the age of the school buildings. Nearly 60% of the District's facilities are 80 years or older (see Table 5). In response to the need to allocate funds to meet the increasing costs of instructional activities, funding routine maintenance has been curtailed. Consequently, the amount of deferred maintenance continues to increase.

All these challenges impact the District's ability to both attract and retain a high quality instructional and administrative workforce.

Table 5
Age of Active Buildings

Age of Active School Buildings



As we look forward there are, however, some notable initiatives that will have a positive impact on the District's ability to achieve its mission.

In January 2006, the New York State Legislature authorized the Syracuse Cooperative School Reconstruction Act and the Joint City Schools Construction Board to act as an agent of the City and the Board of Education to implement various school reconstruction projects.

CHALLENGES FACING THE DISTRICT (Continued)

The State has authorized the total cost of this initial group of projects not to exceed \$225,000,000. However, JSCB has elected to limit the cost impact of these projects by reducing the size of the initial phase to \$150,000,000. During the 2009-2010 fiscal year, the first phase of roof replacement projects at Clary and Bellevue Academy at Shea were completed. During 2010-2011, the second phase of the roof replacement projects for Clary and Bellevue Academy at Shea were completed. In 2011-2012, construction began on major renovation projects at Central Tech, Dr. Weeks, H.W. Smith, and Fowler. During 2012-13, the Fowler, Dr. Weeks, and Central Tech project reached the substantial completion stage of construction. The H.W. Smith project was substantially complete in December 2013.

In May 2013, the Legislature approved an amended version of the Syracuse Cooperative School Reconstruction Act ("JSCB Phase II") that authorizes a second phase of up to twenty school reconstruction projects for an amount not to exceed \$300,000,000. The JSCB Phase II bill was signed into law by the Governor in October 2013. Specific schools to be renovated are named in the legislation. Projects for these schools were to be recommended as part of a comprehensive planning process to be undertaken by the District. The planning process is completed with the JSCB approving the Comprehensive Plan in December 2014 and the Office of the State Comptroller approving in June 2015.

The District has created the Syracuse City School District Education Foundation. The Foundation was established to help respond to the rapidly expanding cost of technology, unfunded government mandates and revenue sources which have not kept pace with the ever increasing cost of operations.

The City of Syracuse and County of Onondaga entered into an inter-municipal agreement on March 27, 2012 for the purpose of creating the Greater Syracuse Property Development Corporation, a not-for-profit corporation, operating as the Greater Syracuse Land Bank (Land Bank) under the New York Land Bank Act of 2011. The purpose of the Land Bank is to address problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax-delinquent properties to productive use. In the long term, the improvement of these properties has the potential to increase property tax assessment values and increase the related property tax levy revenue for the District. In the short term, when a property is purchased and ownership transferred to the Land Bank, the property becomes tax exempt and the value of the property is removed from the tax levy reducing the District's property tax revenue. The District's property tax revenue was reduced by approximately \$500 thousand in the current fiscal year for these transfers and other adjustments.

In New York, adequate and equitable funding has been challenged, resulting in a school based funding lawsuit specifically addressing the adequacy of funding for New York City based schools. Several courts, including the New York State Court of Appeals, have determined that the current funding formula in New York State does not provide adequate funding for New York City and therefore students are unable to receive a sound basic education. On November 20, 2006 the New York State Court of Appeals issued a decision indicating a lack of adequate funding for New York City Schools. While at this time the District is unable to predict the ultimate outcome of this case, we do believe that some form of the final New York City based solution will also be applied to other districts in the State.

In April 2007, the New York State Legislature enacted the State Education Budget and Reform Act of 2007 ("Education Act") to offer resources and aid to the highest-need students in the lowest-performing schools. The Legislature passed a budget for the 2008-09 school year that fully funded the aid increases contained in the Education Act. However, school aid was frozen in the 2009-10 budget due to the state's fiscal challenges, and remained frozen in the 2010-11 and 2011-12 school years. Modest increases in school aid were provided beginning in 2012-13 and have carried through to the 2015-16 school year.

NEXT YEAR'S BUDGET

In preparing the 2015-16 operating budget, the District faced several challenges including implementation of the State mandated Common Core standards, Annual Professional Performance Review ("APPR") requirements, Assurance of Discontinuance recommendations, extended learning time, alternative education programming and systems of support, enhanced career and technical education programs, an increase in educational accountability and an overall increase in the District's operating costs.

The District's portion of the Property Tax Levy remained flat. Sales tax revenues decreased by 25% and state aid increased approximately 2%. The budget includes \$25 million in appropriated fund balance.

In order to balance the budget, the District will apply for a special apportionment provided pursuant to Chapter 57 of the Laws of 2015 which allows school districts to accrue a portion of their subsequent year's state aid into the current fiscal year.

The District, in conjunction with the City of Syracuse, continues to aggressively manage its spending and evaluate opportunities for increased efficiency, consolidation and cost reduction.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, 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 wish to request additional financial information, please contact:

The Office of the Chief Financial Officer
Syracuse City School District
1025 Erie Blvd. West
Syracuse, New York 13204-2749
Fax (315) 435-6321
Telephone (315) 435-4826

Although the Joint Schools Construction Board (JSCB) is a blended component unit of the District, JSCB issues a separate financial statement. To obtain this report, please contact:

The Commissioner of Finance
Joint Schools Construction Board
City Hall
Syracuse, New York 13202

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Pooled cash and cash equivalents held by City	\$ 50,686,087
Pooled cash and cash equivalents held by District	94,080
Pooled Restricted cash and cash equivalents held by City	11,229,321
Pooled Restricted cash and cash equivalents held by District	16,972
Receivables:	
State and Federal aid	61,383,414
Due from other governments	319,129
Due from the City	3,743,963
Other	2,716,819
Inventories	1,447,007
Prepaid expenses	819,570
Net pension asset	119,424,530
Capital assets, net of accumulated depreciation/ amortization	<u>251,468,060</u>
Total Assets	<u>503,348,952</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources- TRS Pension	27,683,087
Deferred outflows of resources- ERS Pension	2,314,452
Deferred charges	<u>1,482,617</u>
Total Deferred Outflows of Resources	<u>31,480,156</u>
LIABILITIES	
Payables:	
Accounts payable	16,874,832
Accrued expenses	4,598,394
Accrued payroll	9,314,918
Due to other governments	804,214
Accrued interest	1,267,274
Due to Fiduciary Funds	75,497
Bond anticipation notes	2,000,000
Long-term liabilities:	
Due and payable within one year:	
Bonds payable	12,695,251
Premium on bonds payable	484,698
Due to retirement systems	30,588,956
Self-insured employee health plan claims	1,640,767
Self-insured workers' compensation claims	5,167,098
Compensated absences payable	6,488,150
Lottery aid payable	1,016,666
Due and payable in more than one year:	
Bonds payable	143,556,406
Premium on bonds payable	5,457,080
Self-insured workers' compensation claims	32,137,189
Compensated absences payable	5,449,477
Other postemployment benefits	444,412,719
Judgments and claims payable	500,000
Net pension liability	4,377,698
Lottery aid payable	<u>20,066,667</u>
Total Liabilities	<u>748,973,951</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of resources - TRS Pension	81,978,114
Deferred Inflows of resources - ERS Pension	<u>418,926</u>
Total Deferred Inflows of Resources	<u>82,397,040</u>
NET DEFICIT	
Net investment in capital assets	95,638,100
Restricted	20,308,149
Unrestricted (deficit)	<u>(412,488,132)</u>
Total Net Deficit	<u>\$ (296,541,883)</u>

The accompanying notes are an integral part of these statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		Charges for Services	Operating Grants & Contributions	Revenue and Change in Net Position
General support	\$ 56,712,955	\$ -	\$ -	\$ (56,712,955)
Instruction	355,978,512	175,459	70,130,523	(285,672,530)
Pupil transportation	24,277,978	-	402,121	(23,875,857)
Community service	1,517,929	-	1,308,646	(209,283)
School food service program	13,732,576	253,123	13,942,236	462,783
Interest	7,630,482	-	-	(7,630,482)
Total	<u>\$ 459,850,432</u>	<u>\$ 428,582</u>	<u>\$ 85,783,526</u>	<u>(373,638,324)</u>
GENERAL REVENUES				
General property taxes				57,913,999
Nonproperty taxes				1,225,570
Use of money and property				256,106
Sale of property and compensation for loss				60,920
Miscellaneous				1,975,714
State and local sources				295,927,174
Federal sources				<u>10,703,410</u>
Total General Revenues				<u>368,062,893</u>
Change in Net Position				<u>\$ (5,575,431)</u>
Total Net Position - beginning of year, as previously reported				\$ (333,852,684)
Cumulative effect of changes in Accounting Principles (Note 2)				28,361,685
Prior Period Adjustment				<u>14,524,547</u>
Total Net Position - beginning of year, as restated				(290,966,452)
Change in Net Position				<u>(5,575,431)</u>
Total Net Position - end of year				<u>\$ (296,541,883)</u>

The accompanying notes are an integral part of these statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash:					
Pooled cash and cash equivalents held by City	\$ 50,686,087	\$ -	\$ -	\$ -	\$ 50,686,087
Pooled cash and cash equivalents held by District	94,080	-	-	-	94,080
Pooled restricted cash and cash equivalents held by City	1,567,400	-	9,610,380	51,541	11,229,321
Pooled restricted cash and cash equivalents held by District	-	-	-	16,972	16,972
Receivables:					
Due from other funds	-	-	-	13,437,791	13,437,791
State and Federal aid	40,359,967	17,118,580	-	1,200,933	58,679,480
Due from other governments	319,129	-	-	-	319,129
Due from JSCB	983,885	-	-	-	983,885
Due from the City	3,743,963	-	-	-	3,743,963
Other	276,957	2,390,648	3,891	45,323	2,716,819
Inventory	1,187,760	-	-	259,247	1,447,007
Prepaid expenses	781,665	37,905	-	-	819,570
Total assets	<u>\$ 100,000,893</u>	<u>\$ 19,547,133</u>	<u>\$ 9,614,271</u>	<u>\$ 15,011,807</u>	<u>\$ 144,174,104</u>
LIABILITIES					
Payables:					
Accounts payable	\$ 12,760,158	\$ 3,268,128	\$ -	\$ 846,546	\$ 16,874,832
Accrued expenses	4,476,100	-	122,294	-	4,598,394
Accrued payroll	6,227,431	2,895,965	-	191,522	9,314,918
Due to other governments	-	801,076	-	3,138	804,214
Due to other funds	1,057,932	12,455,356	-	-	13,513,288
Due to the District	-	-	983,885	-	983,885
Notes Payable:					
Bond Anticipation Note	-	-	2,000,000	-	2,000,000
Long-term liabilities:					
Compensated absences payable	40,601	-	-	-	40,601
Due to retirement systems	30,588,956	-	-	-	30,588,956
Self-insured workers' compensation claims	1,197,025	-	-	-	1,197,025
Total liabilities	<u>56,348,203</u>	<u>19,420,525</u>	<u>3,106,179</u>	<u>1,041,206</u>	<u>79,916,113</u>
FUND BALANCES					
Non-spendable	1,969,425	37,905	-	259,247	2,266,577
Restricted	-	88,703	6,508,092	13,711,354	20,308,149
Assigned	28,505,629	-	-	-	28,505,629
Unassigned	13,177,636	-	-	-	13,177,636
Total fund balances	<u>43,652,690</u>	<u>126,608</u>	<u>6,508,092</u>	<u>13,970,601</u>	<u>64,257,991</u>
Total liabilities and fund balances	<u>\$ 100,000,893</u>	<u>\$ 19,547,133</u>	<u>\$ 9,614,271</u>	<u>\$ 15,011,807</u>	<u>\$ 144,174,104</u>

The accompanying notes are an integral part of these statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

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

Total governmental fund balances	\$ 64,257,991
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	251,468,060
Deferred charges recorded as incurred in the funds	1,482,617
GASB 68 related government wide activity	
Net pension asset	119,424,530
Deferred outflows of resources	29,997,539
Net pension liability	(4,377,698)
Deferred inflows of resources	(82,397,040)
Receivables not received within 90 days and therefore not reported in the funds	2,703,934
Accrued interest not paid within 90 days and therefore not reported in the funds	(1,267,274)
Long-term liabilities, including bonds payable, compensated absences and other employee benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(677,834,542)</u>
Net position of governmental activities	<u><u>\$ (296,541,883)</u></u>

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
REVENUES					
General property taxes	\$ 57,913,999	\$ -	\$ -	\$ -	\$ 57,913,999
Nonproperty taxes	1,225,570	-	-	-	1,225,570
Charges for services	175,459	-	-	-	175,459
Use of money and property	255,863	-	6	237	256,106
Sale of property and compensation for loss	60,920	-	-	-	60,920
Miscellaneous	1,975,714	-	-	-	1,975,714
State and local sources	293,123,506	26,026,784	285,991	364,156	319,800,437
Federal sources	2,590,225	45,814,507	710,546	20,200,738	69,316,016
Surplus food	-	-	-	779,981	779,981
Sales - School Food Service Program	-	-	-	253,123	253,123
Pass-through New York State funding from the District	-	-	11,705,144	-	11,705,144
Total revenues	357,321,256	71,841,291	12,701,687	21,598,235	463,462,469
EXPENDITURES					
General support	50,822,606	-	-	6,642,193	57,464,799
Instruction	269,841,064	72,040,309	-	-	341,881,373
Pupil transportation	20,960,175	413,072	-	-	21,373,247
Community service	-	1,344,283	-	-	1,344,283
Pass-through New York State funding to JSCB	11,705,144	-	-	-	11,705,144
Debt service:					
Principal	-	-	6,270,000	7,362,605	13,632,605
Interest	172,056	-	5,435,144	2,181,455	7,788,655
Cost of sales	-	-	-	5,556,378	5,556,378
Capital outlay	-	-	2,396,566	8,983,562	11,380,128
Total expenditures	353,501,045	73,797,664	14,101,710	30,726,193	472,126,612
Excess (deficiency) of revenues over expenditures	<u>3,820,211</u>	<u>(1,956,373)</u>	<u>(1,400,023)</u>	<u>(9,127,958)</u>	<u>(8,664,143)</u>
OTHER FINANCING SOURCES AND USES					
Proceeds of refunding bonds	-	-	-	7,330,000	7,330,000
Premium on refunding bonds	-	-	-	825,804	825,804
Payment to escrow agent	-	-	-	(8,155,804)	(8,155,804)
Operating transfers in	3,538,362	3,863,207	-	10,982,849	18,384,418
Operating transfers out	<u>(14,807,267)</u>	<u>(2,054,569)</u>	<u>-</u>	<u>(1,522,582)</u>	<u>(18,384,418)</u>
Total other sources (uses)	(11,268,905)	1,808,638	-	9,460,267	-
Net change in fund balances	\$ (7,448,694)	\$ (147,735)	\$ (1,400,023)	\$ 332,309	\$ (8,664,143)
Fund balances - beginning of year, as originally reported	\$ 51,101,384	\$ 274,343	\$ 5,733,230	\$ 13,638,292	\$ 70,747,249
Prior Period adjustment	-	-	2,174,885	-	2,174,885
Fund balances - beginning of year, as restated	51,101,384	274,343	7,908,115	13,638,292	72,922,134
Net change in fund balances	(7,448,694)	(147,735)	(1,400,023)	332,309	(8,664,143)
Fund balances - end of year	\$ 43,652,690	\$ 126,608	\$ 6,508,092	\$ 13,970,601	\$ 64,257,991

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ (8,664,143)
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Amounts reported for governmental activities in the Statement of Activities and Change in Net Position ("Statement of Activities") are different because:

Governmental Activities recognize revenue based on economic resource measurement. Fund activities utilize current financial resources. Revenues that are reported in the governmental funds that are not reported as revenue in the statement of activities.	2,517,677
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.	8,589,720
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Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	13,632,605
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	158,172
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Some expenses reported in the statement of activities, such as compensated absences and other employee benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(56,095,108)
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Pension income(expense) resulting from GASB 68 related pension actuary reporting is not recorded as income(expense) in the government funds but is recorded in the statement of activities.	34,285,646
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Change in Net Position of Governmental Activities	\$ (5,575,431)
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The accompanying notes are an integral part of these statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Restricted cash held by District	\$ 175,359	\$ 246,015
Due from other funds	500	74,997
	<u>175,859</u>	<u>321,012</u>
Total assets		
LIABILITIES		
Other liabilities	<u>-</u>	<u>321,012</u>
	<u>-</u>	<u>\$ 321,012</u>
Total liabilities		
NET POSITION		
Held in trust for scholarships	<u>\$ 175,859</u>	

The accompanying notes are an integral part of these statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 20,030
Investment income	1,051
Total additions	<u>21,081</u>
DEDUCTIONS	
Scholarships and awards	<u>22,050</u>
Total deductions	<u>22,050</u>
Change in net position	(969)
Net position - beginning of year	<u>176,828</u>
Net position - end of year	<u><u>\$ 175,859</u></u>

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City School District of Syracuse, New York (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below.

A. Financial Reporting Entity

The City School District of Syracuse, New York is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying basic financial statements are those transactions which comprise school 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, functions and organizations over which the School District Officials exercise oversight responsibility and the activities of the blended component unit, the Joint Schools Construction Board.

The reporting entity of the District is based upon criteria set forth by GASB Statement 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. Under GASB Statement 61, the District is a component unit of the City of Syracuse, New York (the "City").

The accompanying financial statements present the activities of the District including the Extraclassroom Activity Funds (the "ECA Funds").

The ECA Funds are independent of the District with respect to financial transactions and the designation of student management, however, the Board of Education exercises general oversight of these funds. The District accounts for the ECA Funds in the Agency Fund. Separate audited financial statements (cash basis) of the ECA Funds can be found at the District's business office.

Joint Schools Construction Board Blended Component Unit (JSCB)

Under GASB Statement 61, the JSCB is a blended component unit of the District based on the criteria that the JSCB provides services almost exclusively to the District. Separate audited financial statements are prepared for JSCB and reports may be obtained by writing to Joint Schools Construction Board, City Hall, Syracuse, New York 13202. JSCB has a fiscal year which ends June 30.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities and Changes in Net Position present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities and Changes in Net Position presents a comparison between program expenses and 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.

Fund Financial Statements:

The fund financial statements provide information about the District's funds and blended component unit, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds and blended component unit:

General Fund

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

Special 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 specified purposes. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Joint Schools Construction Board ("JSCB") Blended Component Unit

The JSCB is a joint venture between the District and the City. This blended component unit is used to account for transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The JSCB is authorized to act as an agent to enter into contracts on behalf of the District and the Common Council of the City of Syracuse, New York (the "Council") for the construction of new educational facilities in accordance with applicable state and local laws.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The District reports the following governmental funds as nonmajor governmental funds:

School Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the District.

Capital Projects Fund

This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. The principal sources of financing are from the sale of bonds or issuance of bond anticipation notes.

Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. Financing is provided by transfers from the General Fund and the Capital Projects Fund.

Permanent Fund

This fund is used to account for trust arrangements in which the District is the beneficiary of the earnings on the principal.

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the District, and are not available to be used. The District reports the following fiduciary funds:

Private Purpose Trusts Fund

This fund is used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

Agency Fund

This fund is strictly custodial in nature and does not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or ECA Funds and for payroll or employee withholding.

C. Measurement Focus and Basis of Accounting

The government-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. Non-exchange 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 is 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 ninety days after the end of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Revenue, Expenditures and Expenses

Property Taxes

Real property taxes are levied annually by the Council. Uncollected real property taxes are subsequently enforced by the City. An amount representing uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City.

Intergovernmental Revenues - Grants

Revenues and expenditures from federal and state grants are typically recorded in the general and special revenue funds. The District follows the policy that an expenditure of funds is the prime factor for determining the release of grant funds; revenue is recognized at the time of the expenditure of funds. If release of grant funds is not contingent upon expenditure of funds, revenue is recorded when received or when the grant becomes an obligation of the grantor.

Program Revenues

Program revenues include charges for services, and operating/capital grants and contributions that directly relate to a function such as general support, instruction, etc.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)

Debt Service
Cost of Sales
Capital Outlay

Indirect Expenses

Indirect expenses are allocated based upon a percentage of governmental fund expenditures by function.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Revenue, Expenditures and Expenses (Continued)

Interfund Transfers and Interfund Receivables and Payables

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 year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary 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 5 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, cash held by the City, cash held by fiscal agents, and short-term investments with original maturities of three months or less from date of acquisition.

New York State (the "State") law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at commercial banks not covered by FDIC 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the District's name. The District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2015.

The District was invested only in the above-mentioned obligations and, accordingly, was not exposed to any interest rate risk.

All cash and equivalents restricted by external sources are held by the City for the benefit of the District and are reflected on the books and records of the City.

F. Restricted Assets

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds from bond sales can only be used for the stated purpose of the borrowing. Donations to be used toward scholarships in the Private Purpose Trusts Fund and funds supporting ECA Funds in the Agency Fund are restricted specifically for those purposes. Net Position restricted for other purposes consist of funds for JSCB construction and renovation projects.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. Major receivable balances for the governmental activities include grants.

In the fund financial statements, receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within ninety days since they would be considered both measurable and available.

H. Inventory and Prepaid Items

Inventories of food and/or supplies in the School Food Service Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value that approximates market. Purchases of inventorable items in other funds are recorded at cost on an average cost basis.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Fixed Assets)

Capital assets, which include land and land improvements, buildings and improvements, furniture and equipment and vehicles as well as intangibles such as software, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years.

Capital assets are reported at actual cost or estimated historical costs if purchased or constructed. Donated assets are reported at estimated fair market value at the time received.

The District depreciates/amortizes capital assets using the straight-line method over the estimated useful life of the asset beginning in the first month after completion or acquisition of the asset. The range of estimated useful lives by type of asset is as follows:

<u>Type of Asset</u>	<u>Estimated Useful Lives</u>
Land improvements	20 years
Buildings and improvements	39 years
Furniture and equipment	6 -10 years
Vehicles	3 - 9 years
Software	5 -10 years

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has \$31,480,156 in deferred outflows of resources which is comprised of TRS and ERS Pension amounts and deferred losses on the early retirement of debt at June 30, 2015 as described in Note 7 and Note 9, respectively. The District has \$82,397,040 in deferred inflows of resources which is comprised of TRS and ERS Pension amounts at June 30, 2015 as described in Note 9.

K. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, employees may contractually receive a payment based on unused accumulated sick leave. 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 governmental accounting standards, an accrual for accumulated sick leave and vacation time is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractual provisions.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, the General Fund reports only the compensated absence liability payable from expendable available financial resources. These amounts are expensed on a pay-as-you-go basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Other Benefits

District employees participate in the New York State Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS").

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. See Note 10 for further information. There are currently approximately 7,000 individuals receiving benefits under the plan.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, if any, are deposited in the Debt Service Fund or JSCB blended component unit and used to retire debt in the respective fund or unit. Bond issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

N. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – reports net position when constraints placed on the assets or deferred outflows of resources either by (1) external groups such as creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Restricted net position includes the following:

Special Aid Fund	\$ 88,703
Joint Schools Construction Board (JSCB)	6,508,092
School Food Service Fund	8,101,318
Permanent Fund	16,972
Capital Projects	2,942,378
Debt Service	<u>2,650,686</u>
Total restricted net position	<u>\$ 20,308,149</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications (Continued)

Government-wide Statements (Continued)

- c. Unrestricted net position - reports the balance of net position that does not meet the definition of "restricted" or "net investment in capital assets" and is deemed to be available for general use by the District.

Fund Statements

Classification of fund balance reflects spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a governmental fund's net resources. Constraints are broken down into five different classifications: non-spendable, restricted, committed, assigned and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent. In the fund basis statements, there are five classifications of fund balance:

- a. Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory and prepaid expenses recorded in the General Fund of \$1,969,425 and \$37,905 in the Special Aid Fund and the inventory in the School Food Service Fund of \$259,247.
- b. Restricted - Includes 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. The definition of restricted fund balance is the same as restricted net position.
- c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2015.
- d. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Chief Financial Officer has been authorized by the Board of Education to assign fund balance. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$3,505,629. Appropriated fund balance designated during the budgetary process for use to fund operating expenditures in the next fiscal year is also included in Assigned Fund Balance. The District appropriated \$25,000,000 of fund balance to be used to fund fiscal year 2015-2016 operating expenditures.
- e. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District. In addition, unassigned fund balance includes any remaining negative fund balance for funds other than the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications (Continued)

Order of Use of Fund Balance

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

O. Economic Dependency

The District receives significant funding from the U.S. Department of Agriculture, the U.S. Department of Education and other Federal and State programs. Curtailment of such revenue would have a significant impact on the District's programs.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

2. CHANGE IN ACCOUNTING PRINCIPLES

A. New Accounting Standards

The District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans.

This statement required the addition of several lines to the District's government-wide financial statements and a cumulative change in accounting principle adjustment to net position as shown in the table below:

	Government-Wide Statement of Net Position			
	Net Pension Asset	Net Pension Liability	Deferred Outflows	Net Position
Balance at June 30, 2014, as previously reported	\$ -	\$ -	\$ -	\$ 333,852,684
Restatement of beginning balance - Adoption of GASB Statements No. 68 and No. 71				
NYS Employee Retirement System Plan	-	(5,855,764)	1,454,188	4,401,576
NYS Teachers Retirement System Plan	<u>7,028,965</u>	<u>-</u>	<u>25,734,296</u>	<u>(32,763,261)</u>
Balance at June 30, 2014, as restated	<u>\$ 7,028,965</u>	<u>\$ (5,855,764)</u>	<u>\$ 27,188,484</u>	<u>\$ 305,490,999</u>

The District also adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement did not have an immediate impact to the District's financial statements.

The District also adopted GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement required accounting for the impact of the payment the District made to the TRS during the fiscal year on the District's portion of net pension asset from TRS.

3. PRIOR PERIOD ADJUSTMENTS

Retainage Payable

During the year ended June 30, 2015, the New York State Office of the State Comptroller issued reporting guidance regarding retainage payables owed to contractors. Based on that guidance Administration determined that at June 30, 2014, there was no retainage payable owed to contractors in the JSCB. Therefore, a prior period adjustment was made to increase the JSCB's restricted fund balance on the fund financial statements as of July 1, 2014 by \$2,174,885.

3. PRIOR PERIOD ADJUSTMENTS (Continued)

Environmental Remediation

During the current year Administration determined that the Environmental Remediation Liability of \$14,524,547 reported as a long term liability on the District's Statement of Net Position on the District-wide financial statements did not meet the criteria under generally accepted accounting principles for a liability, under GASB Statement No. 49. Therefore, a prior period adjustment was made to increase the Net Position of the District as of July 1, 2014 for the amount of the previously reported liability.

4. BUDGETS AND BUDGETARY ACCOUNTING

Budget Policies

- a. The District administration prepares a proposed budget for approval by the Board of Education and the City for the following governmental fund for which legal (appropriated) budgets are adopted: General Fund.
- b. A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. 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.

An annual budget is not adopted for the Special Aid Fund. Budgetary controls are established in accordance with grant agreements

5. INTERFUND TRANSACTIONS

To improve cash management, most disbursements are made from a pooled account in the General Fund. Interfund receivables and payables exist primarily due to this cash management practice, as well as normal delays in processing interfund transfers and reimbursement. Interfund balances and transfers are short term in nature and are typically repaid in less than one year. The following schedule summarizes interfund transactions during the year ended June 30, 2015 and balances at June 30, 2015:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ -	\$ 1,057,932	\$ 3,538,362	\$ 14,807,267
Special aid	-	12,455,356	3,863,207	2,054,569
School food service	7,530,693	-	-	1,483,793
Capital projects	3,256,412	-	1,400,000	38,789
Debt service	2,650,686	-	9,582,849	-
Private purpose trust	500	-	-	-
Agency	74,997	-	-	-
Total	<u>\$ 13,513,288</u>	<u>\$ 13,513,288</u>	<u>\$ 18,384,418</u>	<u>\$ 18,384,418</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015:

	(As restated) Balance at July 1, 2014	Additions	Disposals/ Transfers	Balance at June 30, 2015
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	5,283,364	11,650	(1,313,367)	3,981,647
Buildings and improvements	315,694,946	1,084,884	(636,473)	316,143,357
Furniture and equipment	20,703,778	1,182,907	(563,415)	21,323,270
Vehicles	4,071,947	1,427,483	(536,450)	4,962,980
Software	6,661,027	64,082	-	6,725,109
Construction in progress (not depreciable)	<u>110,856,338</u>	<u>11,380,129</u>	<u>(821,210)</u>	<u>121,415,257</u>
Total capital assets	<u>464,751,725</u>	<u>15,151,135</u>	<u>(3,870,915)</u>	<u>476,031,945</u>
Less: Accumulated depreciation/amortization:				
Land improvements	(5,198,219)	(12,773)	1,313,367	(3,897,625)
Buildings and improvements	(191,520,280)	(4,076,287)	636,473	(194,960,094)
Furniture and equipment	(18,473,657)	(656,283)	563,415	(18,566,525)
Vehicles	(3,540,768)	(356,389)	536,450	(3,360,707)
Software	<u>(3,140,461)</u>	<u>(638,473)</u>	<u>-</u>	<u>(3,778,934)</u>
Total accumulated depreciation/ amortization	<u>(221,873,385)</u>	<u>(5,740,205)</u>	<u>3,049,705</u>	<u>(224,563,885)</u>
Capital assets, net	<u>\$ 242,878,340</u>	<u>\$ 9,410,930</u>	<u>\$ (821,210)</u>	<u>\$ 251,468,060</u>

6. CAPITAL ASSETS (Continued)

All capital assets including intangibles, with the exception of land and construction in progress, are being depreciated/amortized over their estimated useful lives.

Depreciation/amortization expense was charged as follows:

Instruction	\$ 4,643,651
Support service:	
General	780,524
Pupil transportation	290,305
School food service	<u>25,725</u>
 Total depreciation/amortization expense	 <u>\$ 5,740,205</u>

7. CAPITAL INDEBTEDNESS

The District borrows money in order to meet current operating requirements and to acquire or construct buildings and improvements. For acquisition or construction of 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. The provision to be made in future budgets for capital indebtedness represents the amount authorized to be collected in future years from taxpayers and others for liquidation of both current and long-term liabilities.

Long-term liability activity for the year ended June 30, 2015:

	(As restated)					Due in
	Balance at			Balance at	Amount due	more than
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>in one year</u>	<u>one year</u>
Bonds payable:						
Bonds payable	\$ 170,489,262	\$ 7,330,000	\$ 21,567,605	\$ 156,251,657	\$ 12,695,251	\$ 143,556,406
Premiums on bonds payable	<u>5,600,672</u>	<u>825,804</u>	<u>484,698</u>	<u>5,941,778</u>	<u>484,698</u>	<u>5,457,080</u>
Total bonds payable	<u>176,089,934</u>	<u>8,155,804</u>	<u>22,052,303</u>	<u>162,193,435</u>	<u>13,179,949</u>	<u>149,013,486</u>
Other liabilities:						
Compensated absences payable	13,206,487	7,170,941	8,439,801	11,937,627	6,488,150	5,449,477
Other postemployment benefits	388,941,936	80,461,994	24,991,211	444,412,719	-	444,412,719
Due to retirement systems	28,482,402	36,831,658	34,725,104	30,588,956	30,588,956	-
Self-insurance health plan claims	587,465	59,771,464	58,718,162	1,640,767	1,640,767	-
Self-insurance workers' compensation claims	37,000,631	5,428,694	5,125,038	37,304,287	5,167,098	32,137,189
Judgments and claims payable	500,000	-	-	500,000	-	500,000
Net pension liability	-	4,377,698	-	4,377,698	-	4,377,698
Lottery aid payable	<u>22,100,000</u>	<u>-</u>	<u>1,016,667</u>	<u>21,083,333</u>	<u>1,016,666</u>	<u>20,066,667</u>
Total other liabilities	<u>490,818,921</u>	<u>194,042,449</u>	<u>133,015,983</u>	<u>551,845,387</u>	<u>44,901,637</u>	<u>506,943,750</u>
Long-term liabilities	<u>\$ 666,908,855</u>	<u>\$ 202,198,253</u>	<u>\$ 155,068,286</u>	<u>\$ 714,038,822</u>	<u>\$ 58,081,586</u>	<u>\$ 655,957,236</u>

Payments on bonds payable, with the exception of the JSCB, that pertain to the District's governmental activities are made by the Debt Service Fund.

7. CAPITAL INDEBTEDNESS (Continued)

Liabilities for compensated absences, retirement, self-insurance claims, environmental remediation and judgments and claims will be liquidated by the General Fund.

Revenue and Bond Anticipation Notes Payable

The District and the JSCB may issue revenue anticipation notes, bond anticipation notes and tax anticipation notes, in anticipation of the receipt of revenues. For governmental funds, these notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. Revenue anticipation and tax anticipation notes represent a liability that will be extinguished by the use of expendable, available resources of the fund. Bond anticipation notes represent a liability that will be extinguished by the use of bond proceeds when bonds are issued.

The District's short-term debt activity for the year ended June 30, 2015:

	Balance at <u>July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2015</u>
Revenue anticipation notes	\$ <u> </u> -	\$ <u>35,144,000</u>	\$ <u>35,144,000</u>	\$ <u> </u> -

The JSCB's short-term debt activity for the year ended June 30, 2015:

	Balance at <u>July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2015</u>
Bond anticipation notes	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>

7. CAPITAL INDEBTEDNESS (Continued)

General Obligation Bonds Payable

General obligation bonds payable included in the accompanying Statement of Net Position represent obligations issued in the name of the City for District purposes and the City of Syracuse Industrial Development Agency for JSCB purposes. These long-term liabilities are full faith and credit debt of the District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the District. Bonds outstanding at June 30, 2015 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>
June 13, 2012	2017	2.000 - 3.000	\$ 385,000
May 15, 2014	2019	2.000 - 5.000	2,105,000
July 28, 2005	2019	2.625 - 5.000	70,647
September 30, 2010	2019	2.000 - 4.000	5,820,000
July 28, 2005	2021	3.000 - 5.000	5,030,000
June 3, 2009	2022	4.000 - 5.000	319,951
September 30, 2010	2022	2.000 - 4.000	6,325,000
June 13, 2012	2022	2.000 - 5.000	648,000
June 15, 2010	2023	2.500 - 5.000	358,059
June 15, 2008	2024	3.250 - 5.000	8,925,000
May 15, 2014	2025	2.000 - 5.000	7,015,000
May 28, 2015	2027	4.000 - 5.000	7,330,000
December 23, 2010	2027	3.000 - 6.000	26,680,000
July 12, 2011	2027	5.428	15,000,000
July 12, 2011	2028	3.000 - 5.000	25,955,000
June 1, 2007	2030	4.000 - 5.000	7,200,000
March 12, 2008	2030	3.000 - 5.250	<u>37,085,000</u>
Totals			<u>\$ 156,251,657</u>

On May 28, 2015, the District issued \$7,330,000 in general obligation bonds with an average interest rate of 2.43% to advance refund \$7,935,000 of outstanding 2005A and 2005C series bonds with an average coupon of 4.22%. The net proceeds of \$8,155,804 (including a premium of \$825,804 and \$37,940 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. This refunding decreases total debt service payment of the next 12 years by \$751,141 resulting in an economic gain (difference between the present values of the debt service payment on the old and new debt) of approximately \$648,402.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$4,925,000 of bonds outstanding are considered defeased.

7. CAPITAL INDEBTEDNESS (Continued)

General Obligation Bonds Payable (Continued)

General obligation bonds payable as of June 30, 2015 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 12,695,251	\$ 7,230,317	\$ 19,925,568
2017	13,180,660	6,685,684	19,866,344
2018	13,560,185	6,087,961	19,648,146
2019	14,213,863	5,440,150	19,654,013
2020	12,660,715	4,822,158	17,482,873
2021 - 2025	62,715,983	15,663,151	78,379,134
2026 - 2030	<u>27,225,000</u>	<u>3,577,462</u>	<u>30,802,462</u>
Totals	<u>\$ 156,251,657</u>	<u>\$ 49,506,883</u>	<u>\$ 205,758,540</u>

Interest and related expenses on all debt for the year was composed of:

Interest paid - capital indebtedness	\$ 8,120,328
Less: Interest accrued in the prior year	(1,272,422)
Amortization of bond premiums	(484,698)
Plus: Interest accrued in the current year	<u>1,267,274</u>
Total expense	<u>\$ 7,630,482</u>

8. OPERATING LEASE COMMITMENTS AND LEASED ASSETS

The District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2015 were approximately \$712,950. The minimum future non-cancelable operating lease payments as of June 30, 2015 are as follows:

2016	\$ 920,575
2017	707,411
2018	527,134
2019	<u>296,122</u>
Total	<u>\$ 2,451,242</u>

9. PENSION PLANS

New York State Employee Retirement System (NYSERS)

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the NYSERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the NYSERS, the election is irrevocable.

9. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The NYSERS is noncontributory except for employees who joined the NYSERS after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>
2015	\$ 5,816,753
2014	\$ 6,769,452
2013	\$ 6,596,280

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

At June 30, 2015, the District reported a net pension liability of \$4,377,698 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the District's proportion was 0.129585% percent.

9. PENSION PLANS (Continued)

New York State Employee Retirement System (NYERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$3,857,127. At June 30, 2015, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 140,135	\$ -
Net difference between projected and actual earnings on pension plan investments	760,351	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	418,926
Contributions subsequent to the measurement date	1,413,966	-
Total	<u>\$ 2,314,452</u>	<u>\$ 418,926</u>

The District recognized \$1,413,966 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2015 which recognized a reduction of the net pension liability in the year ended June 30, 2016.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 120,390
2017	120,390
2018	120,390
2019	120,390
2020	-
Thereafter	<u>-</u>
	<u>\$ 481,560</u>

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9 percent indexed by service
Projected COLAs	1.4% compounded annually
Decrements	Developed from the Plan's 2010 experience period April 1, 2005 through March 31, 2010 study of the Society of Actuaries Scale MP-2014
Mortality improvement	Society of Actuaries Scale MP-2014
Investment rate of return	7.5% compounded annually, net of investment expenses

9. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Long Term Expected Rate of Return

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	38.0	7.30
International Equity	13.0	8.55
Private Equity	10.0	11.00
Real Estate	8.0	8.25
Absolute Return	3.0	6.75
Opportunistic Portfolio	3.0	8.60
Real Assets	3.0	8.65
Bonds & Mortgages	18.0	4.00
Cash	2.0	2.25
Inflation-Indexed Bonds	<u>2.0</u>	4.00

100%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.50%</u>
Proportionate Share of Net Pension liability (asset)	\$ 29,179,249	\$ 4,377,698	\$ (16,550,962)

9. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 164,591,504,000	\$ 213,285,900	0.1295850%
Net position	(161,213,259,000)	(208,908,202)	0.1295850%
Net pension liability (asset)	<u>\$ 3,378,245,000</u>	<u>\$ 4,377,698</u>	0.1295850%
Fiduciary net position as a percentage of total pension liability	97.9%	97.9%	

New York State Teacher Retirement System (NYSTRS)

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS offers 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.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS 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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

NYSTRS is noncontributory for employees who joined prior to July 27, 1976. For employees who joined NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

9. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Contributions (Continued)

The District is required to contribute at an actuarially determined rate. The District contributions made to NYSTRS were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>
2015	\$ 27,027,205
2014	\$ 19,671,858
2013	\$ 21,252,794

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

At June 30, 2015, the District reported net pension asset of \$119,424,530 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015 the District's proportionate share was 1.072093%, which was an increase from the 1.067820% proportionate share measured at June 30, 2014.

For the year ended June 30, 2015, the District recognized pension income of \$4,683,067. At June 30, 2015 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,746,365
Net difference between projected and actual earnings on pension plan investments	-	80,206,551
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	25,198
Contributions subsequent to the measurement date	27,683,087	-
Total	<u>\$ 27,683,087</u>	<u>\$ 81,978,114</u>

9. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District recognized \$27,683,087 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2015	\$	(20,257,633)
2016		(20,257,633)
2017		(20,257,633)
2018		(20,257,633)
2019		(205,996)
Thereafter		(741,584)
	\$	<u>(81,978,112)</u>

Actuarial Assumptions

The total pension liability at the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. Total pension liability at the June 30, 2013 measurement date, was determined by an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

Mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2013 and 2012 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

9. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long Term Expected Rate of Return

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	37.0	7.3
International Equity	18.0	8.5
Real Estate	10.0	5.0
Alternative Investments	7.0	11.0
Domestic Fixed Income Securities	18.0	1.5
Global Fixed Income Securities	2.0	1.4
Mortgages	<u>8.0</u>	3.4
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the District using the discount rate of 8.0 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease <u>7.00%</u>	Current Discount <u>8.00%</u>	1% Increase <u>9.00%</u>
Proportionate Share of Net Pension liability (asset)	\$ (2,576,155)	\$ (119,424,530)	\$(218,995,574)

9. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Pension Plan Fiduciary Net Position

The components of the collective net pension liability (asset) of the participating school districts as of June 30, 2014, were as follows:

Pension Plan Fiduciary Net Position

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 97,015,706,548	\$ 1,040,098,599	1.0720930%
Net position	(108,155,083,127)	(1,159,523,128)	1.0720930%
Net pension liability (asset)	<u>\$ (11,139,376,579)</u>	<u>\$ (119,424,530)</u>	1.0720930%
Fiduciary net position as a percentage of total pension liability	111.5%	111.5%	

10. OTHER POSTEMPLOYMENT BENEFITS

The District calculates and records a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contribution made. Prior to adoption, the District reported the cost of retiree benefits on a pay-as-you-go basis.

Plan Description

The District provides OPEB to its employees under a single-employer, self-insured, defined benefit healthcare plan administered by a third-party. The healthcare plan provides medical and prescription drug coverage to eligible retirees and their spouses.

Benefit provisions are established and amended through negotiations between the District and the respective unions.

Employees may become eligible for benefits based on the following criteria:

- Age 55 with 10 years of service if hired after January 1, 1980 or
- Age 55 with 5 years of service if hired before January 1, 1980.

Retiree benefits continue for the life of the retiree. The retiree's survivor(s) have the option to continue to receive health insurance coverage benefits by paying for the coverage at the District's full premium rate.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The contribution requirements of plan members and the District are established on an annual premium equivalent rate calculated by an actuarial firm based on an actuarial valuation of projected financing requirements.

For the year ended June 30, 2015, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.7 million, amounted to approximately \$25.0 million.

Annual OPEB Cost

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and the amortized amount of any unfunded actuarial liabilities (UAAL) over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 87,396,868
Interest on net OPEB obligations	15,557,677
Adjustment to annual required contribution	<u>(22,492,551)</u>
Annual OPEB cost	80,461,994
Contributions made	<u>(24,991,211)</u>
Increase in net OPEB obligation	55,470,783
Net OPEB obligation - beginning of year	<u>388,941,936</u>
Net OPEB obligation - end of year	<u>\$ 444,412,719</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2013	\$ 86,321,574	24.85%	\$ 333,768,332
June 30, 2014	\$ 77,585,062	28.89%	\$ 388,941,936
June 30, 2015	\$ 80,461,994	31.06%	\$ 444,412,719

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,181 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$203 million, and the ratio of the liability to the annual covered payroll was 581%.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits at the time of each valuation and on the historical pattern of cost sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is based on the portfolio of the District's general assets used to pay these benefits and an annual health care cost trend rate of 7.75% initially, decreasing to 3.89% after sixty years for Pre-65 individuals and 6.75% initially, decreasing to 3.89% for Post-65 individuals after sixty years. The prescription cost trend begins at 8.50% initially and decreases to 3.89% after sixty years. The Medicare Part B cost trend begins at 6.00% initially and decreases to 3.89% after sixty years. Both rates include a 2.25% inflation assumption. The UAAL is being amortized based on a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2015 was 30 years.

11. CONTINGENCIES AND COMMITMENTS

The District may be subject to lawsuits in the ordinary conduct of its affairs. The District does not believe any outstanding items are likely to have a material, adverse effect on the financial statements at June 30, 2015.

Numerous real estate tax certiorari proceedings are presently pending against the City of Syracuse, New York on grounds of alleged inequality of assessment. Adverse decisions to the City could have a substantial impact through the reduction of assessments and tax refunds to successful litigants. The District is a principal recipient of property taxes levied by the City. Since the outcome of these proceedings cannot presently be determined, no provision for this exposure, if any, has been included in the accompanying basic financial statements.

The District has a potential liability for employees who have not entered into the Retirement System due to the fact that they were never offered the right to join. Any potential liability relating to this contingency is not determinable at June 30, 2015.

The District has a potential liability for the overbilling of tuition to other Districts for students in attendance at Elmcrest Children's Center. It is uncertain if the districts involved are entitled to or will seek restitution. As such any potential liability relating to this contingency cannot be determined at June 30, 2015.

11. CONTINGENCIES AND COMMITMENTS (Continued)

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.

12. SELF-INSURANCE

The District is primarily self-insured for medical, dental, workers' compensation and general liability claims. Property coverage exists for all City Schools for losses in excess of \$100,000 per occurrence. Self-insured expenditures are expensed when paid. All future liabilities for employee health, dental, workers' compensation and judgments and claims are recorded as liabilities. Liabilities accrued include an estimate of pending claims and claims incurred but not reported.

The following represents changes in those aggregate liabilities for the year ended June 30, 2015:

	<u>Workers' Compensation</u>
July 1, 2014	\$ 37,000,631
Claims and changes in estimates	<u>303,656</u>
June 30, 2015	<u>\$ 37,304,287</u>

The District believes the provisions, as described in Note 7, are adequate to cover the liability for claims based upon current available information but these estimates may be more or less than the amount ultimately paid when claims are settled.

13. FUTURE CHANGES IN ACCOUNTING STANDARDS

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

14. SUBSEQUENT EVENTS

On October 28, 2015, the District issued \$58,905,000 in Revenue Anticipation Notes at 0.55% maturing on June 30, 2016 to cover an expected cash flow shortage due to the timing of cash receipts from all sources. The request was approved by the City of Syracuse, New York Common Council on September 28, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund						
	Budgeted Amounts			Actual	Add: Current Year Encumbrances	Total Current Year Expenditures and Encumbrances	Budget Variance Favorable (Unfavorable)
	Original	Amendment to Add Prior Year Encumbrances	Amended Final				
REVENUES							
General property taxes	\$ 57,437,912	\$ -	\$ 57,437,912	\$ 57,913,999	\$ -	\$ 57,913,999	\$ 476,087
Nonproperty taxes	1,250,000	-	1,250,000	1,225,570	-	1,225,570	(24,430)
Charges for services	183,000	-	183,000	175,459	-	175,459	(7,541)
Use of money and property	481,000	-	481,000	255,863	-	255,863	(225,137)
Sale of property and compensation for loss	27,100	-	27,100	60,920	-	60,920	33,820
Miscellaneous	990,000	-	990,000	1,975,714	-	1,975,714	985,714
State and local sources	295,806,262	-	295,806,262	293,123,506	-	293,123,506	(2,682,756)
Federal sources	3,000,000	-	3,000,000	2,590,225	-	2,590,225	(409,775)
Total revenues	359,175,274	-	359,175,274	357,321,256	-	357,321,256	(1,854,018)
OTHER SOURCES							
Operating transfers in	1,750,000	-	1,750,000	3,538,362	-	3,538,362	1,788,362
Total revenues and other sources	360,925,274	-	360,925,274	360,859,618	-	360,859,618	(65,656)
EXPENDITURES AND ENCUMBRANCES							
General government support	53,544,599	3,134,783	56,679,382	50,822,606	1,255,230	52,077,836	4,601,547
Instruction	275,160,530	2,009,038	277,169,568	269,841,064	2,216,700	272,057,764	5,111,804
Pupil transportation	19,945,166	116,772	20,061,938	20,960,175	33,700	20,993,875	(931,937)
Pass-through New York State funding to JSCB	11,705,144	-	11,705,144	11,705,144	-	11,705,144	-
Interest	479,167	-	479,167	172,056	-	172,056	307,111
Total expenditures and encumbrances	360,834,606	5,260,593	366,095,199	353,501,045	3,505,629	357,006,674	9,088,525
OTHER USES							
Operating transfers out	14,517,668	-	14,517,668	14,807,267	-	14,807,267	(289,599)
Total expenditures and other uses	375,352,274	5,260,593	380,612,867	368,308,312	3,505,629	371,813,941	8,798,926
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	\$ (14,427,000)		\$ (19,687,593)	\$ (7,448,694)		\$ (10,954,323)	

The accompanying notes are an integral part of these schedules

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2015

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2013	7/1/2011	-	\$ 896,672,270	\$ 896,672,270	0.00%	\$ 197,343,307	454.37%
6/30/2014	7/1/2013	-	\$ 926,483,090	\$ 926,483,090	0.00%	\$ 201,142,465	460.61%
6/30/2015	7/1/2013	-	\$ 1,180,618,192	\$ 1,180,618,192	0.00%	\$ 203,183,860	581.06%

The accompanying notes are an integral part of these schedules

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2015

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.1295850%									
Proportionate share of the net pension liability (asset)	\$4,378									
Covered-employee payroll	\$33,468									
Proportionate share of the net pension liability (asset)	13.08%									
as a percentage of its covered-employee payroll	97.95%									
Plan fiduciary net position as a percentage of the total pension liability (asset)										

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	1.072093%									
Proportionate share of the net pension liability (asset)	\$ (119,425)									
Covered-employee payroll	\$ 158,365									
Proportionate share of the net pension liability (asset)	-75.41%									
as a percentage of its covered-employee payroll	111.48%									
Plan fiduciary net position as a percentage of the total pension liability (asset)										

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
 (A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
 SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
 FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
--	------	------	------	------	------	------	------	------	------	------

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

Contractually required contribution
 Contributions in relation to the contractually required contribution
 Contribution deficiency (excess)

\$ 5,817
 5,817
 -

Covered-employee payroll
 Contributions as a percentage of covered-employee payroll

\$33,468
 17.38%

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
--	------	------	------	------	------	------	------	------	------	------

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN

Contractually required contribution
 Contributions in relation to the contractually required contribution
 Contribution deficiency (excess)

\$ 25,734
 25,734
 -

Covered-employee payroll
 Contributions as a percentage of covered-employee payroll

\$ 158,365
 16.25%

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Pooled restricted cash and cash equivalents held by City	\$ -	\$ 51,541	\$ -	\$ -	\$ 51,541
Pooled restricted cash and cash equivalents held by District	-	-	-	16,972	16,972
Receivables:					
Due from other funds	7,530,693	3,256,412	2,650,686	-	13,437,791
State and Federal aid receivables	1,200,933	-	-	-	1,200,933
Other	45,323	-	-	-	45,323
Inventory	259,247	-	-	-	259,247
Total assets	\$ 9,036,196	\$ 3,307,953	\$ 2,650,686	\$ 16,972	\$ 15,011,807
LIABILITIES					
Accounts payable	\$ 480,971	\$ 365,575	\$ -	\$ -	\$ 846,546
Accrued payroll	191,522	-	-	-	191,522
Due to other governments	3,138	-	-	-	3,138
Total liabilities	675,631	365,575	-	-	1,041,206
FUND BALANCE					
Non-spendable	259,247	-	-	-	259,247
Restricted	8,101,318	2,942,378	2,650,686	16,972	13,711,354
Total fund balances	8,360,565	2,942,378	2,650,686	16,972	13,970,601
Total liabilities and fund balances	\$ 9,036,196	\$ 3,307,953	\$ 2,650,686	\$ 16,972	\$ 15,011,807

The accompanying notes are an integral part of these schedules

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES					
Use of money and property	\$ 25	\$ -	\$ 210	\$ 2	\$ 237
State and local sources	364,156	-	-	-	364,156
Federal sources	12,798,099	7,402,639	-	-	20,200,738
Surplus food	779,981	-	-	-	779,981
Sales - School Food Service Program	253,123	-	-	-	253,123
Total revenues	14,195,384	7,402,639	210	2	21,598,235
EXPENDITURES					
General Support	6,642,193	-	-	-	6,642,193
Debt Service					
Principal	-	-	7,362,605	-	7,362,605
Interest	-	-	2,181,455	-	2,181,455
Cost of sales	5,556,378	-	-	-	5,556,378
Capital outlay	-	8,983,562	-	-	8,983,562
Total expenditures	12,198,571	8,983,562	9,544,060	-	30,726,193
Excess (deficiency) of revenues over expenditures	1,996,813	(1,580,923)	(9,543,850)	2	(9,127,958)
OTHER FINANCING SOURCES AND USES					
Proceeds of Refunding Bonds	-	-	7,330,000	-	7,330,000
Premium on Refunding Bonds	-	-	825,804	-	825,804
Payment to Escrow Agent	-	-	(8,155,804)	-	(8,155,804)
Operating transfers in	-	1,400,000	9,582,849	-	10,982,849
Operating transfers out	(1,483,793)	(38,789)	-	-	(1,522,582)
Total other financing sources (uses)	(1,483,793)	1,361,211	9,582,849	-	9,460,267
Net change in fund balances	513,020	(219,712)	38,999	2	332,309
Fund balances - beginning of year	7,847,545	3,162,090	2,611,687	16,970	13,638,292
Fund balances - end of year	<u>\$ 8,360,565</u>	<u>\$ 2,942,378</u>	<u>\$ 2,650,686</u>	<u>\$ 16,972</u>	<u>\$ 13,970,601</u>

The accompanying notes are an integral part of these schedules

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

Project Title	Expenditures to Date					Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2015
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Projects Closed			Total	State Aid	Local Sources	
Building Condition Survey	\$ -	\$ 1,100,000	\$ -	\$ -	\$ -	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Network Refresh E-Rate	12,375,750	12,375,750	459,564	8,351,437	-	3,564,749	-	7,771,241	1,606,395	9,377,636	566,635
Greystone Building	36,000,000	36,000,000	5,746,598	-	-	30,253,402	5,750,000	-	-	5,750,000	3,402
Budgett Renovations	36,000,000	36,000,000	-	-	-	36,000,000	-	-	500,000	500,000	500,000
Partial EXCEL Projects	865,000	-	821,211	-	821,211	-	-	-	-	-	-
All other various	1,000,000	1,300,000	14,340	632,125	-	653,535	-	-	1,418,806	1,418,806	772,341
TOTAL	\$ 86,240,750	\$ 86,775,750	\$ 7,041,713	\$ 8,983,562	\$ 821,211	\$ 71,571,686	\$ 5,750,000	\$ 7,771,241	\$ 4,625,201	\$ 18,146,442	\$ 2,942,378

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

Capital assets, net		\$ 251,468,060
Add:		
Deferred loss on early retirement of debt		1,482,617
Deduct:		
Premium on bonds payable	5,941,778	
Short-term portion of bonds payable	12,695,251	
Long-term portion of bonds payable	143,556,406	
Less: unspent bond proceeds	(4,864,356)	
Less: bond proceeds not related to capital assets	<u>(16,502)</u>	<u>(157,312,577)</u>
Net investment in capital assets		<u><u>\$ 95,638,100</u></u>

The accompanying notes are an integral part of these schedules

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

**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**

December 14, 2015

To the Board of Education
City School District of Syracuse, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City School District of Syracuse, New York (the "District"), a component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

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

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(Continued)

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Bonadio & Co., LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 14, 2015

To the Board of Education
City School District of Syracuse, New York:

Report on Compliance for Each Major Federal Program

We have audited the City School District of Syracuse, New York's (the "District"), a component unit of the City of Syracuse, New York, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Bonadio & Co., LLP

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed-through NYS Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	\$ 779,981
Cash Assistance			
School Breakfast Program	10.553	N/A	3,511,244
National School Lunch Program	10.555	N/A	7,500,008
After School Snack Program	10.555	N/A	861,504
Summer Food Service Program for Children	10.559	N/A	434,444
Total Cash Assistance			12,307,200
Total Child Nutrition Cluster			13,087,181
Fresh Fruit and Vegetable Program	10.582	0004150017	690,758
Total U.S. Department of Agriculture			13,777,939
U.S. Department of Transportation			
Passed-through City of Syracuse, NY:			
Highway Planning and Construction	20.205		5,592
Total U.S. Department of Transportation			5,592
U.S. Department of Education			
Passed-through Onondaga Cortland Madison Counties BOCES:			
Adult Education - Basic Grants to States			
WIA - Title II Adult Basic	84.002		21,786
Passed-through NYS Department of Education:			
Adult Education - Basic Grants to States			
WIA-Title II Adult Basic	84.002	2338152123	260,881
Total Adult Education - Basic Grants to States			282,667
Title I, Grants to Local Educational Agencies			
Title I, School Improvement Professional Development	84.010	0011142206	65,000
Title I, Part A	84.010	0021142165	1,694,268
Title I, Part A	84.010	0021152165	9,977,518
Title I, School Improvement	84.010	0011142006	36,820
Title I, School Improvement	84.010	0011152006	519,396
Total Title I Grants to Local Educational Agencies			12,293,002
Special Education Cluster:			
Special Education - Grants to States			
Section 611 PL194-145	84.027	0032140656	15,162
Section 611 PL194-145	84.027	0032150656	4,826,156
SE SIS (formerly SETRC)	84.027	C012202	445,113
Total Special Education - Grants to States			5,286,431

The accompanying notes are an integral part of this schedule.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education (Continued)			
Passed-through NYS Department of Education (Continued):			
Special Education - Preschool Grants			
Special Education - Preschool Grants	84.173	0033140656	\$ 2,560
Special Education - Preschool Grants	84.173	0033150656	<u>321,546</u>
Total Special Education - Preschool Grants			<u>324,106</u>
Total Special Education Cluster			<u>5,610,537</u>
Career and Technical Education - Basic Grants to States			
Pathways in Technology Early College High School	84.048	8039140013	29,299
Pathways in Technology Early College High School	84.048	8039150013	175,242
Perkins IV CTEIA	84.048	8000140010	14,202
Perkins IV CTEIA	84.048	8000150010	<u>268,992</u>
Total Career and Technical Education - Basic Grants to States			<u>487,735</u>
Education for Homeless Children and Youth	84.196	0212154060	<u>36,430</u>
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	0187146118	91,198
Twenty-First Century Community Learning Centers	84.287	0187156118	<u>1,165,924</u>
Total Twenty-First Century Community Learning Centers			<u>1,257,122</u>
English Language Acquisition Grants			
Title III, Part A Limited English Proficiency	84.365	0293142165	53,206
Title III, Part A Limited English Proficiency	84.365	0293152165	<u>380,875</u>
Total English Language Acquisition Grants			<u>434,081</u>
Mathematics and Science Partnerships			
Title II, B Math and Science	84.366	0294150206	670,584
Title II, B Math and Science	84.366	0294150214	<u>168,312</u>
Total Mathematics and Science Partnerships			<u>838,896</u>
Improving Teacher Quality State Grants			
Title II, Part A	84.367	0147142165	1,856,211
Title II, Part A	84.367	0147152165	<u>979,301</u>
Total Improving Teacher Quality State Grants			<u>2,835,512</u>
Teacher Incentive Fund (TIF) Cluster:			
Teacher Incentive Fund (TIF)	84.374	C011135	549,803
Teacher Incentive Fund (TIF)	84.374	C011135	<u>1,905,908</u>
Total Teacher Incentive Fund (TIF) Cluster:			<u>2,455,711</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top			
Incentive Grants, Recovery Act	84.395	5545152036	1,725,918
Incentive Grants, Recovery Act	84.395	5555150005	100,000
Incentive Grants, Recovery Act	84.395	5545140041	542,407
Incentive Grants, Recovery Act	84.395	5500142165	344,612
Incentive Grants, Recovery Act	84.395	5500152165	251,549
Incentive Grants, Recovery Act	84.395	5540150002	272,915
Incentive Grants, Recovery Act	84.395	5590150025	<u>198,188</u>
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top			<u>3,435,589</u>

The accompanying notes are an integral part of this schedule.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education (Continued)			
Passed-through NYS Department of Education (Continued):			
School Improvement Grants Cluster:			
ARRA - School Improvement Grants, Recovery Act			
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123142106	\$ 331,599
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144204	342,366
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144108	516,449
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144205	445,070
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144201	404,507
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144203	347,786
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144202	442,330
ARRA: School Improvement Grant: P. L. A. S.	84.388	5123144107	392,956
Total ARRA - School Improvement Grants, Recovery Act			<u>3,223,063</u>
School Improvement Grants Cluster:			
School Improvement Grant	84.377	0123156117	268,065
School Improvement Grant	84.377	0123156119	347,757
School Improvement Grant	84.377	0123154204	1,083,540
School Improvement Grant	84.377	0123154108	927,496
School Improvement Grant	84.377	0123156116	379,100
School Improvement Grant	84.377	0123154205	1,152,490
School Improvement Grant	84.377	0123156118	380,690
School Improvement Grant	84.377	0123154201	1,108,149
School Improvement Grant	84.377	0123154203	1,092,306
School Improvement Grant	84.377	0123154202	895,075
School Improvement Grant	84.377	0123152106	1,228,953
School Improvement Grant	84.377	0123154107	984,491
Total: School Improvement Grants			<u>9,848,112</u>
Total School Improvement Grants Cluster			<u>13,071,175</u>
Direct:			
Impact Aid	84.041	N/A	<u>99,561</u>
Indian Education - Grants to Local Educational Agencies	84.060	N/A	<u>123,450</u>
Fund for the Improvement of Education - Enhanced Reading in Smaller Learning Community	84.215	N/A	<u>146,944</u>
High School Graduation Initiative	84.360	N/A	<u>878,058</u>
School Improvement Grants	84.377	N/A	<u>214,134</u>
Total U.S. Department of Education			<u>44,500,604</u>
U.S. Department of Health and Human Services			
Direct:			
Substance Abuse and Mental Health Services: Projects of Regional and National Significance	93.243	N/A	172,424
Passed-through NYS Department of Temporary and Disability Assistance:			
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	C021172	<u>604,290</u>
Total U.S. Department of Health and Human Services			<u>776,714</u>
Total Expenditures of Federal Awards			\$ <u>59,060,849</u>

The accompanying notes are an integral part of this schedule.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the City School District of Syracuse, New York (the "District"), an entity as defined in the basic financial statements. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a portion of the operations of the District, it is not intended to and does not present financial position, changes in net position, or cash of the District.

2. BASIS OF ACCOUNTING

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting

3. INDIRECT AND MATCHING COSTS

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

4. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2015, the District received food commodities, the fair market value of which amounted to \$779,981 is presented in the accompanying Schedule of Expenditures of Federal Awards as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015**

Section I - Financial Statement Findings

None reported in prior year.

Section II - Federal Awards Findings and Questioned Costs

1. 2014-001

Criteria:

Teachers and principals in certain schools are eligible to receive performance-based supplemental compensation based on the results of their Annual Professional Performance Review (APPR) under the Teacher Incentive Fund (TIF) grant if they are deemed to achieve specific ratings. The methodology to determine an individual's rating is outlined in the District's APPR Plan.

Condition/Cause:

- Rating calculations were not subsequently reviewed.
- Performance scales were used to determine points awarded to teachers in order to calculate portions of their rating. The Local Score scale, approved by the Syracuse Teachers Association (STA) and used by the District in their calculations, was not in agreement with the scale and requirements contained in the District's APPR Plan. In 1/60 highly effective teachers tested, if the APPR scale had been used their score would not have resulted in a highly effective rating.
- In 6/60 highly effective teachers tested, the Local Score calculation methodology did not follow the process outlined in the District's APPR Plan and/or the data utilized for the computations was incomplete resulting in different Local Score ratings. In addition, if the District had used the performance scale contained in the District's APPR Plan to evaluate these results, 3 teachers' scores would not have resulted in a highly effective rating.
- In 3/60 highly effective teachers tested, the State Growth Score was calculated erroneously and not in accordance with the District's APPR Plan. The total affected population due to this error was 17 teachers that should not have received a highly effective rating.

Status:

During the current year the District successfully implemented internal controls ensuring the proper review and approval of the calculations methodologies and performance scales used in accordance with the District's APPR Plan by management.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported
 Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported
 Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
84.010	Title I, Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
84.374	Teacher Incentive Fund Cluster
84.377, 84.388	School Improvement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,771,825

Auditee qualified as low-risk auditee yes no

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
(A COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs of federal awards noted.