

**BASIC FINANCIAL STATEMENTS**

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**

**JUNE 30, 2012**

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

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HELPING OUR CLIENTS'  
VISIONS ADD UP

## INDEPENDENT AUDITOR'S REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (nonmajor governmental funds and the fiduciary type fund types) of the City School District of Syracuse, New York as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for other postemployment benefits on pages 3 through 16 and pages 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City School District of Syracuse, New York's basic financial statements as a whole. The information contained in the supplementary information section as listed in the Table of Contents on page 57 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Jestone, Marshall & Disenzy*

November 30, 2012  
Syracuse, New York

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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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 for the year ended June 30, 2012. 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 \$397.9 million of which it received \$279.2 million from state and federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The District's combined net assets for all activities decreased by \$58.6 million as a result of this year's operations.
- At June 30, 2012, combined net assets for all activities were a deficiency of \$278.1 million mainly as a result of including other postemployment benefits liability of \$268.9 million.
- At June 30, 2012, combined capital assets, net of depreciation were \$190.5 million.
- The combined depreciation expense for all activities was \$6.5 million.
- The total long-term general obligation bonds payable, as of June 30, 2012, were \$198.0 million, an increase of \$38.6 million from the prior year.

### **Fund Financial Statement Overview**

- The total revenue for all governmental funds was \$416.2 million which was an increase of \$19.8 million or 5.0% over the 2010-2011 year.
- The final General Fund budget of \$334.1 million was a decrease of \$12.9 million or 3.7% over the 2010-2011 year.
- General Fund revenues (including operating transfers in) of \$328.6 million were an increase of \$2.5 million or 0.8% over the 2010-2011 year.
- General Fund expenditures (including operating transfers out) of \$332.0 million were a decrease of \$10.6 million or 3.1% over the 2010-2011 year.
- The General Fund's fund balance decreased by \$3.3 million from \$22.1 million to \$18.8 million due to an excess of expenditures over revenues.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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 Assets and the Statement of Activities. These statements provide both short-term and long-term information about the activities of the District as a whole.
- 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.
- The governmental fund financial statements show how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of 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.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	Government-wide	Fund Financial Statements		
	Government-wide	Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	The District's proprietary fund is the School Food Service Fund	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenses, and changes in net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow /out flow information	All revenues and 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 revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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 Assets and the Statement of Activities provide information on the School District as a whole as well as several principal activities. These statements present a summary of assets and liabilities 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 regardless of when cash is received or paid.

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

- Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position 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 Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- |                            |  |
|----------------------------|--|
| Governmental Activities -  | The majority of the District's basic programs and services are reported here, including regular and special education, pupil transportation and administration. Property taxes and state and local funds finance most of these activities. |
| Business-type Activities - | These activities involve fee for goods and services programs designed to recover all or most of the expenses of the goods or services provided. Food service operations are reported as a business-type activity.                          |

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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).

The District has three types of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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.
- **Proprietary Fund:** This fund provides the same type of information as the government-wide financial statements, only in more detail. The District's proprietary fund is School Food Service.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for funds that belong to others, such as the scholarship 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.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Our analysis below focuses on the net assets (Table 2, Table 4) and the changes in net assets (Table 3, Table 5) of the District's governmental and business-type activities.

In Table 2 (see page 8), total governmental assets increased by approximately 18.3% 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 (JSCB) school reconstruction program.

Total liabilities increased by approximately 21.8%. The increase is attributable to the growing liability for other postemployment benefits (OPEB) that rose \$61.0 million this year (allocated as \$59.8 million governmental and \$1.2 million business-type) as well as the issuance of \$46.9 million of serial bonds for the next phase of the Joint Schools Construction Board (JSCB) project.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

The District's combined governmental net assets decreased approximately \$57.8 million or 26.5%. At June 30, 2012, the total liabilities exceeded the total assets by \$275.8 million (net deficit).

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

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2011</b>	<b>2012</b>	<b>Change</b>
Current and Other Assets	\$ 154,965	\$ 161,201	4.0%
Capital Assets	<u>142,245</u>	<u>190,483</u>	33.9%
Total Assets	297,210	351,684	18.3%
Long-Term Debt - Due in One Year	9,728	12,709	30.6%
Long-Term Debt - Due in More Than One Year	149,648	185,300	23.8%
Other Liabilities	<u>355,832</u>	<u>429,425</u>	20.7%
Total Liabilities	515,208	627,434	21.8%
Net Assets			
Invested in Capital Assets, Net of Related Debt	40,822	66,250	62.3%
Restricted for JSCB Projects	64,075	72,348	12.9%
Unrestricted	<u>(322,895)</u>	<u>(414,348)</u>	-28.3%
Total Net Assets	<u>\$ (217,998)</u>	<u>\$ (275,750)</u>	-26.5%

As shown below in Table 3, the District's total revenues from governmental activities increased by 2.8% or \$11.3 million. The cost of all governmental programs and services decreased by 2.5% or \$12.1 million.

**Table 3 - Changes in Net Assets from Operating Results**  
**(In Thousands of Dollars)**

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2011</b>	<b>2012</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	440	238	-46.0%
Operating Grants and Contributions	71,880	71,571	-0.4%
General Revenues:			
Property Taxes and Other Taxes	60,237	58,657	-2.6%
State and Local Sources	257,813	274,365	6.4%
Federal Sources	8,155	4,803	-41.1%
Use of Money and Property	862	557	-35.4%
Miscellaneous	<u>1,279</u>	<u>1,786</u>	39.6%
Total Revenues	<u>400,666</u>	<u>411,978</u>	2.8%
<b>Expenses</b>			
General Support	61,101	57,937	-5.2%
Instruction	386,505	374,954	-3.0%
Pupil Transportation	24,455	24,500	0.2%
Community Service	2,544	2,928	15.1%
Interest	<u>7,246</u>	<u>9,411</u>	29.9%
Total Expenses	<u>481,851</u>	<u>469,730</u>	-2.5%
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (81,185)</u>	<u>\$ (57,752)</u>	-28.9%

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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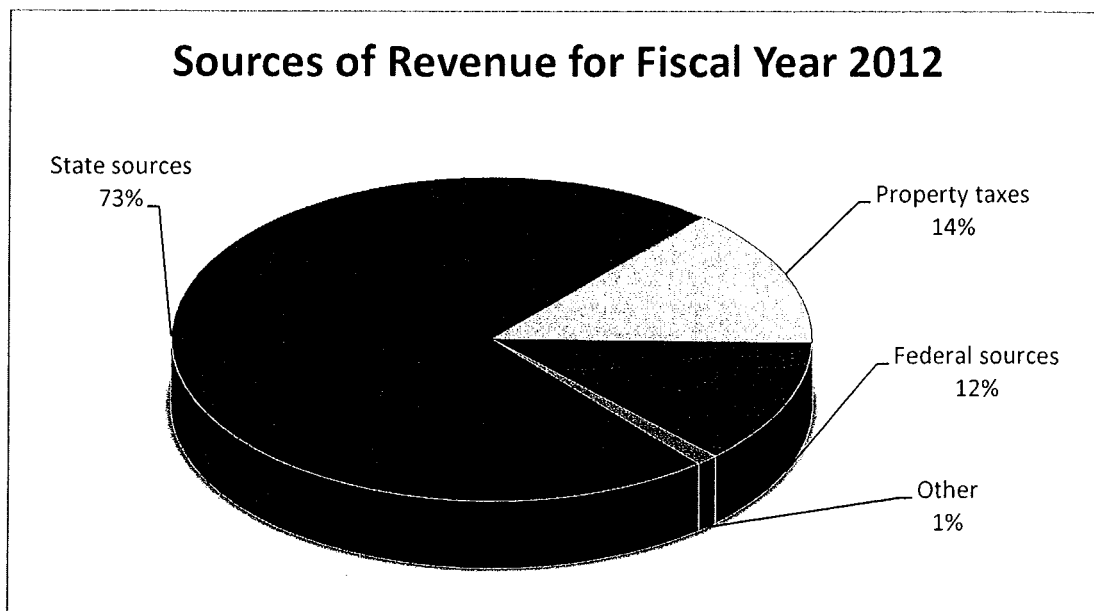
The increase in revenue of 2.8% or \$11.3 million is due to the following factors:

Revenues in State and Local Aid category increased due to the receipt of \$16.6 million in Excel Aid to reimburse funds spent for the JSCB construction projects underway at Fowler High School and the Central Tech Vocational Center.

The increase in State revenue was offset by declining Federal revenue. The General Fund received \$5.7 million in State Fiscal Stabilization ARRA funding in the previous year but the funding did not continue for the current year. This decrease was partially offset by a one-time revenue stream of \$1.6 million from the Employee Retirement Reinsurance Program (ERRP) to reduce the cost of health insurance.

The District is dependent on New York State and Federal sources for financing day to day operations with these two funding sources comprising 85% 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.

**Chart 1 – Sources of Revenue by Percentage for Fiscal Year 2012**



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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Expenses decreased by 2.5% or \$12.1 million as a result of the following:

Total expenses decreased in the General Support and Instruction categories due to cost cutting measures taken by the District including significant staffing reductions and agreement by several bargaining units to accept 0% wage increases.

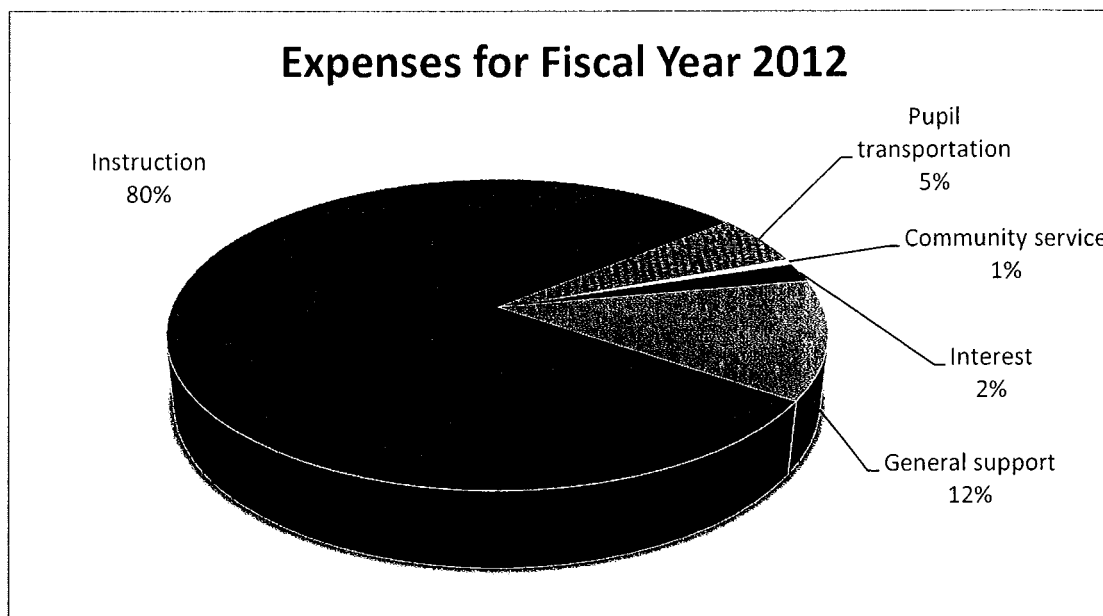
These cost cutting measures also helped Pupil Transportation expenses remain flat despite transportation contract pricing being tied to the increasing Consumer Price Index (CPI).

The District spent 80% of total expenditures on Instruction including salaries and benefits for Teachers and Teaching Assistants and instructional supplies as shown in Chart 2 below.

General Support services such as custodial, maintenance, accounting and administrative services made up approximately 12% of total expenditures.

Pupil Transportation services to transport all students who are residents of the District to sites both within and outside of the District utilized 5% of total expenditures.

**Chart 2 – Expenses by Percentage for Fiscal Year 2012**



(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

In Table 4, total assets of business-type activities increased by 40.6% or \$1.3 million mainly due to the timing of cash disbursements and receipts. Equity in pooled cash and cash equivalents was \$2.1 million higher than in the prior year as cash payments for expenditures were paid out at a slower rate and State and Federal aid reimbursements were received more quickly leading to more cash on hand at year-end.

The total liabilities increased by 46.8% or \$2.1 million with the current year liability for the cost of other postemployment benefits and retirement benefits increasing \$1.3 million and \$0.2 million, respectively.

The net deficit of the business-type activities increased \$0.9 million due to the current year's operating loss.

**Table 4 - Condensed Statement of Net Assets (In Thousands of Dollars)**

	<b>Business-Type Activities</b>		<b>Percentage</b>
	<b>2011</b>	<b>2012</b>	<b>Change</b>
Current and Other Assets	\$ 3,030	\$ 4,319	42.5%
Capital Assets	66	35	-47.0%
Total Assets	3,096	4,354	40.6%
Other Liabilities	4,559	6,690	46.8%
Total Liabilities	4,559	6,690	46.8%
Net Assets (Deficit)			
Invested in Capital Assets, Net of Related Debt	66	35	-47.0%
Unrestricted	(1,529)	(2,371)	-55.1%
Total Net Assets (Deficit)	\$ (1,463)	\$ (2,336)	-59.7%

In Table 5, the business-type activities revenues increased \$0.7 million or 6.8% with the number of meals served for breakfast and lunch increasing 0.26 million from 3.69 million to 3.95 million.

Total costs increased \$1.4 million or 13.2%. While the cost to provide meals rose \$0.4 million due to the increased number of meals served and rising food prices, the true driver continues to be the year after year increases in the cost of fringe benefits including other postemployment benefits and retirement benefits. Fringe benefit costs increased \$0.9 million this year to now make up 31.4% of total operating costs.

**Table 5 - Changes in Net Assets from Operating Results (In Thousands of Dollars)**

	<b>Business-Type Activities</b>		<b>Percentage</b>
	<b>2011</b>	<b>2012</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	652	653	0.1%
Operating Grants and Contributions	9,482	10,175	7.3%
Total Revenues	10,134	10,828	6.8%
<b>Expenses</b>			
Food Service	10,341	11,702	13.2%
Total Expenses	10,341	11,702	13.2%
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (207)</b>	<b>\$ (874)</b>	<b>323.1%</b>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2012, the District's governmental funds reported a combined fund balance of \$91.2 million, which is an increase of \$5.7 million from the prior year combined fund balance of \$85.5 million. 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, 2012, is \$18.8 million, which is a decrease of \$3.3 million from the prior year fund balance of \$22.1 million. Of the balance at June 30, 2012, \$14.8 million was unassigned. The unassigned fund balance represents 4.5% of the total current year General Fund expenditures, while total fund balance represents 5.7% of that same amount.

**JSCB**

At June 30, 2012, the Joint Schools Construction Board (JSCB) Fund reported a fund balance of \$66.6 million, which is an increase of \$10.6 million from the prior year fund balance of \$56.0 million. 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 actual charges to appropriations (expenditures) were \$4.4 million or 1.3% less than the final budget amount of \$334.1 million due to the use of Debt Service Fund Balance to make debt principal payments originally budgeted to be paid for by the General Fund.

Resources available for appropriation (revenues) excluding the use of fund balance were \$4.0 million or 1.2% more than the final budgeted amount of \$322.6 million. This resulted primarily from the deferral of the final State Aid payment for fiscal year 2010-2011 until September 2011 resulting in the revenue being recognized in fiscal year 2011-2012 instead of fiscal year 2010-2011 which was not included in the budget.

The District's original General Fund budget of \$334.1 million was the same as the final approved budget.

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 (GAAP Basis) and Actual for the Year Ended June 30, 2012 on page 55.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CAPITAL ASSETS**

At June 30, 2012, the District had \$190.5 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 \$48.2 million or 33.9% from last year. 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.

More detail about the Joint Schools Construction Board is presented in Note 9 to the financial statements.

**Table 6 - Capital Assets at Year End  
(Net of Depreciation/Amortization, in Thousands of Dollars)**

	<b>Governmental Activities and Business-Type Activities</b>		<b>Percentage</b>
	<b>2011</b>	<b>2012</b>	<b>Change</b>
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	55	45	-18.2%
Buildings and Improvements	104,320	122,505	17.4%
Furniture and Equipment	4,252	2,935	-31.0%
Vehicles	806	787	-2.4%
Software	4,917	4,418	-10.1%
Construction in Progress	26,482	58,348	120.3%
Total	<u>\$ 142,312</u>	<u>\$ 190,518</u>	33.9%

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

**DEBT ADMINISTRATION**

At June 30, 2012, the District had \$198.0 million of bonds and notes payable outstanding compared to \$159.4 million last year, an increase of \$38.6 million or 24.2%. In the current year, the District issued bonds for \$1.5 million to finance the masonry work at Beard School and HVAC repair at Henninger High School. Bonds totaling \$46.9 million were also issued for the next phase of the Joint Schools Construction Board renovation projects. As the District continues renovating aging facilities, it is anticipated debt will continue to increase.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

(Continued)



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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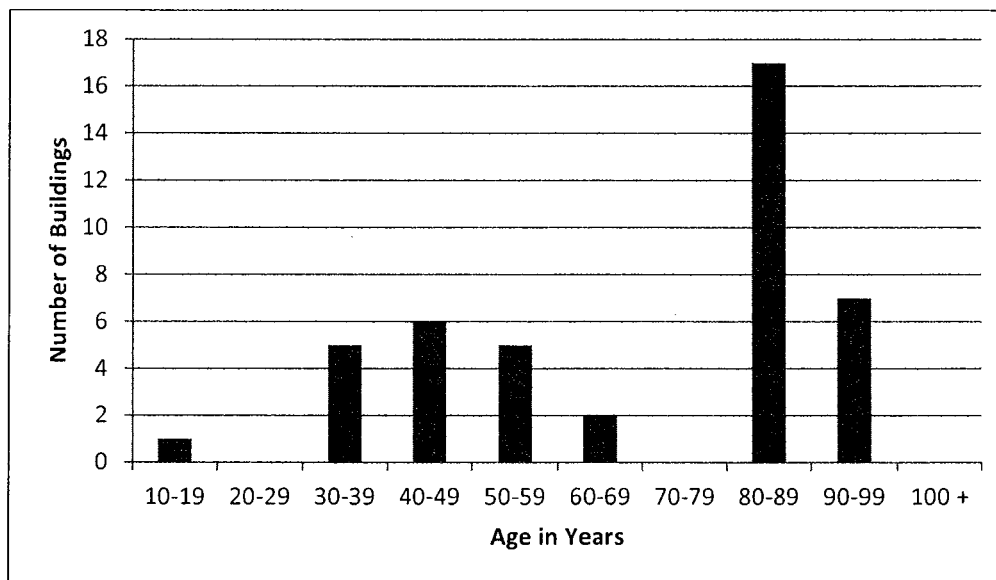
**CHALLENGES FACING THE DISTRICT**

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 70 years or older (see Table 7). 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 7  
Age of Active 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.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CHALLENGES FACING THE DISTRICT - (CONT'D)**

In January 2006, the New York State Legislature authorized the Syracuse Cooperative School Reconstruction Act and the Joint City School Construction Board to act as an agent of the City and the Board of Education to implement various school reconstruction projects. The State has specified that the Phase 1 projects are to be at the following seven schools: Central Tech High School, Blodgett School, Clary Middle School, Dr. Weeks Elementary School, Shea Middle School (currently Bellevue Academy), H.W. Smith Elementary School and Fowler High School.

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. The design phase continued for projects at Central Tech, Dr. Weeks, H.W. Smith, and Fowler. During 2010-2011, the second phase of the roof replacement projects for Clary and Bellevue Academy at Shea began. In 2011-2012, construction began on major renovation projects at Central Tech, Dr. Weeks, H.W. Smith, and Fowler, with substantial completion on all Phase 1 projects anticipated by March 2013.

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.

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 the other districts in the State.

**NEXT YEAR'S BUDGET**

In preparing the 2012-13 operating budget, the District faced several challenges including implementation of the State mandated Common Core standards, Annual Professional Performance Review (APPR) requirements, an increase in educational accountability and an overall increase in the District's operating costs.

The District's portion of the Property Tax Levy increased slightly while sales tax revenues continued to decline.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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**NEXT YEAR'S BUDGET - (CONT'D)**

In order to balance the budget, the District eliminated approximately 180 positions and will apply for a special apportionment called Chapter 1 Legislation 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

(Concluded)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 38,343,947	\$ 3,302,680	\$ 41,646,627
Receivables			
State and Federal aid	27,761,743	812,501	28,574,244
Due from other governments	4,430,973	-	4,430,973
Other	2,550,023	23,119	2,573,142
Inventories	701,466	181,311	882,777
Prepaid expenses	153,570	-	153,570
Pooled restricted cash and cash equivalents	85,165,531	-	85,165,531
Deferred charges	2,094,282	-	2,094,282
Capital assets, net of accumulated depreciation/ amortization	190,482,923	34,585	190,517,508
Total Assets	<u>\$ 351,684,458</u>	<u>\$ 4,354,196</u>	<u>\$ 356,038,654</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 13,353,794	\$ 793,929	\$ 14,147,723
Accrued expenses	22,011,011	-	22,011,011
Accrued payroll	1,246,645	46,514	1,293,159
Due to other governments	5,880,272	2,480	5,882,752
Accrued interest	1,493,041	-	1,493,041
Long-term liabilities			
Due and payable within one year			
Bonds payable	12,708,553	-	12,708,553
Premium on bonds payable	315,041	-	315,041
Due to retirement systems	22,284,750	473,451	22,758,201
Self-insured employee health plan claims	2,907,687	61,068	2,968,755
Self-insured workers' compensation claims	3,590,420	75,408	3,665,828
Compensated absences payable	7,691,407	134,748	7,826,155
Lottery aid payable	1,016,666	-	1,016,666
Due and payable in more than one year			
Bonds payable	185,299,818	-	185,299,818
Premium on bonds payable	4,907,314	-	4,907,314
Self-insured workers' compensation claims	34,278,115	719,923	34,998,038
Compensated absences payable	5,318,099	-	5,318,099
Environmental remediation	14,998,356	-	14,998,356
Other postemployment benefits	264,516,631	4,382,820	268,899,451
Judgments and claims payable	500,000	-	500,000
Lottery aid payable	23,116,667	-	23,116,667
Total Liabilities	<u>627,434,287</u>	<u>6,690,341</u>	<u>634,124,628</u>
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets, net of related debt	66,250,448	34,585	66,285,033
Restricted	72,347,910	-	72,347,910
Unrestricted	<u>(414,348,187)</u>	<u>(2,370,730)</u>	<u>(416,718,917)</u>
Total Net Assets (Deficit)	<u>(275,749,829)</u>	<u>(2,336,145)</u>	<u>(278,085,974)</u>
Total Liabilities and Net Assets	<u>\$ 351,684,458</u>	<u>\$ 4,354,196</u>	<u>\$ 356,038,654</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Expenses	Program Services		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
General support	\$ 57,937,467	\$ -	\$ -	\$ (57,937,467)	\$ -	\$ (57,937,467)
Instruction	374,953,521	238,068	68,968,713	(305,746,740)	-	(305,746,740)
Pupil transportation	24,499,104	-	289,276	(24,209,828)	-	(24,209,828)
Community service	2,928,344	-	2,313,411	(614,933)	-	(614,933)
Interest	9,411,282	-	-	(9,411,282)	-	(9,411,282)
Total Governmental Activities	469,729,718	238,068	71,571,400	(397,920,250)	-	(397,920,250)
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food Service	11,702,071	652,825	10,175,634	-	(873,612)	(873,612)
Total Business-Type Activities	11,702,071	652,825	10,175,634	-	(873,612)	(873,612)
Totals	<u>\$ 481,431,789</u>	<u>\$ 890,893</u>	<u>\$ 81,747,034</u>	<u>(397,920,250)</u>	<u>(873,612)</u>	<u>(398,793,862)</u>
<b>GENERAL REVENUES</b>						
General property taxes				56,771,844	-	56,771,844
Nonproperty taxes				1,884,672	-	1,884,672
Use of money and property				556,949	158	557,107
Sale of property and compensation for loss				808,900	-	808,900
Miscellaneous				976,699	-	976,699
State and local sources				274,365,489	-	274,365,489
Federal sources				4,803,490	-	4,803,490
Total General Revenues				340,168,043	158	340,168,201
Change in Net Assets				(57,752,207)	(873,454)	(58,625,661)
Total Net Assets (Deficit) - Beginning of year				(217,997,622)	(1,462,691)	(219,460,313)
Total Net Assets (Deficit) - End of year				<u>\$ (275,749,829)</u>	<u>\$ (2,336,145)</u>	<u>\$ (278,085,974)</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Pooled cash and cash equivalents	\$ 38,343,947	\$ -	\$ -	\$ -	\$ 38,343,947
Pooled restricted cash and cash equivalents	1,337,404	-	78,981,668	4,846,459	85,165,531
Receivables					
Due from other funds	13,458,019	-	562,948	509,526	14,530,493
State and Federal aid	7,790,477	18,011,780	1,701,590	-	27,503,847
Due from other governments	4,244,716	-	-	-	4,244,716
Other	218,887	2,303,636	-	-	2,522,523
Inventory	701,466	-	-	-	701,466
Prepaid expenses	153,570	-	-	-	153,570
 Total assets	 <u>\$ 66,248,486</u>	 <u>\$ 20,315,416</u>	 <u>\$ 81,246,206</u>	 <u>\$ 5,355,985</u>	 <u>\$ 173,166,093</u>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 9,951,846	\$ 3,250,423	\$ -	\$ 151,525	\$ 13,353,794
Accrued expenses	7,371,428	-	14,610,075	29,508	22,011,011
Accrued payroll	994,440	252,205	-	-	1,246,645
Due to other governments	4,107,304	1,772,968	-	-	5,880,272
Due to other funds	-	14,502,993	-	-	14,502,993
Long-term liabilities					
Due to retirement systems	22,284,750	-	-	-	22,284,750
Compensated absences payable	2,180,279	-	-	-	2,180,279
Self-insured workers' compensation claims	545,380	-	-	-	545,380
 Total liabilities	 <u>47,435,427</u>	 <u>19,778,589</u>	 <u>14,610,075</u>	 <u>181,033</u>	 <u>82,005,124</u>
<b>FUND BALANCES</b>					
Non-spendable	855,036	-	-	-	855,036
Restricted	-	536,827	66,636,131	5,174,952	72,347,910
Committed	427,000	-	-	-	427,000
Assigned	2,680,754	-	-	-	2,680,754
Unassigned	14,850,269	-	-	-	14,850,269
 Total fund balances	 <u>18,813,059</u>	 <u>536,827</u>	 <u>66,636,131</u>	 <u>5,174,952</u>	 <u>91,160,969</u>
 Total liabilities and fund balances	 <u>\$ 66,248,486</u>	 <u>\$ 20,315,416</u>	 <u>\$ 81,246,206</u>	 <u>\$ 5,355,985</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	190,482,923
Deferred charges recorded as incurred in the funds	2,094,282
Receivables not received within 60 days and therefore not reported in the funds	444,153
Accrued interest not paid within 60 days and therefore not reported in the funds	(1,493,041)
Long-term liabilities, including bonds payable and postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(558,439,115)
Net deficit of governmental activities	<u>\$ (275,749,829)</u>

See Notes to Financial Statements

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

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 56,771,844	\$ -	\$ -	\$ -	\$ 56,771,844
Nonproperty taxes	1,884,672	-	-	-	1,884,672
Charges for services	238,068	-	-	-	238,068
Use of money and property	523,866	-	27	33,056	556,949
Sale of property and compensation for loss	258,900	-	-	550,000	808,900
Miscellaneous	976,699	-	-	-	976,699
State and local sources	261,870,717	25,324,712	16,564,737	250,000	304,010,166
Federal sources	4,100,068	46,246,688	615,897	-	50,962,653
Total revenues	326,624,834	71,571,400	17,180,661	833,056	416,209,951
<b>EXPENDITURES</b>					
General support	49,014,559	-	-	-	49,014,559
Instruction	242,455,034	74,752,169	-	-	317,207,203
Pupil transportation	20,412,481	313,534	-	-	20,726,015
Community service	-	2,507,405	-	-	2,507,405
Debt service					
Principal	-	-	-	9,727,756	9,727,756
Interest	416,924	-	-	8,687,700	9,104,624
Capital outlay	-	-	53,227,287	492,741	53,720,028
Total expenditures	312,298,998	77,573,108	53,227,287	18,908,197	462,007,590
Excess (deficiency) of revenues over expenditures	14,325,836	(6,001,708)	(36,046,626)	(18,075,141)	(45,797,639)
<b>OTHER FINANCING SOURCES AND USES</b>					
Proceeds from debt	-	-	46,860,000	1,500,000	48,360,000
Premium on issuance of debt	-	-	3,062,496	-	3,062,496
Operating transfers in	2,008,604	8,547,139	4,095,263	14,552,867	29,203,873
Operating transfers out	(19,660,709)	(2,008,604)	(7,397,149)	(137,411)	(29,203,873)
Total other sources (uses)	(17,652,105)	6,538,535	46,620,610	15,915,456	51,422,496
Net change in fund balances	(3,326,269)	536,827	10,573,984	(2,159,685)	5,624,857
Fund balances - beginning of year	22,139,328	-	56,062,147	7,334,637	85,536,112
Fund balances - end of year	\$ 18,813,059	\$ 536,827	\$ 66,636,131	\$ 5,174,952	\$ 91,160,969

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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Net Changes in Fund Balances - Total Governmental Funds	\$ 5,624,857
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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.	(4,232,440)
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.	48,237,915
Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	9,727,756
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(306,658)
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.	(65,381,141)
Proceeds from debt are an other financing source in the governmental funds but a debt issuance increases long-term liabilities in the statement of net assets.	<u>(51,422,496)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (57,752,207)</u></u>

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See Notes to Financial Statements



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**BALANCE SHEET - PROPRIETARY FUND**  
**JUNE 30, 2012**

	School Food Service
<b>ASSETS</b>	
Equity in pooled cash and cash equivalents	\$ 3,302,680
State and Federal aid receivable	812,501
Other receivables	23,119
Inventories held for resale	181,311
Total current assets	<u>4,319,611</u>
Capital assets, net of accumulated depreciation	<u>34,585</u>
Total assets	<u><u>\$ 4,354,196</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 793,929
Accrued payroll	46,514
Due to other governments	2,480
Due to retirement systems	473,451
Self-insured employee health plan claims	61,068
Self-insured workers' compensation claims	75,408
Compensated absences payable	134,748
Total current liabilities	<u>1,587,598</u>
Other postemployment benefits	4,382,820
Self-insured workers' compensation claims	719,923
Total non-current liabilities	<u>5,102,743</u>
Total liabilities	<u>6,690,341</u>
<b>NET ASSETS (DEFICIT)</b>	
Investment in capital assets, net of related debt	34,585
Unrestricted	<u>(2,370,730)</u>
Total net deficit	<u>(2,336,145)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 4,354,196</u></u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET DEFICIT -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	School Food Service
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Sales	\$ 652,825
State and local sources	332,711
Federal sources	9,259,085
Surplus food	583,838
Total operating revenues	<u>10,828,459</u>
<b>OPERATING EXPENSES</b>	
Salaries	3,389,688
Fringe benefits	3,703,479
Purchased services	135,075
Materials and supplies	63,077
Cost of sales	4,379,471
Depreciation	31,281
	<u>                    </u>
Total operating expenses	<u>11,702,071</u>
Operating loss	<u>(873,612)</u>
<b>NON-OPERATING REVENUES</b>	
Interest	<u>158</u>
Change in net deficit	(873,454)
Net deficit - beginning of year	<u>(1,462,691)</u>
Net deficit - end of year	<u><u>\$ (2,336,145)</u></u>

See Notes to Financial Statements

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	School Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 654,453
Receipts from state and local sources	262,600
Receipts from federal sources	10,141,537
Payments to suppliers	(3,455,301)
Payments to employees	(5,476,479)
	<u>2,126,810</u>
Net cash provided by operating activities	<u>2,126,810</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments to other governments	<u>41</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	<u>158</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>2,127,009</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,175,671</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 3,302,680</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (873,612)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	31,281
Change in assets and liabilities:	
Decrease in accounts receivable	813,969
Decrease in inventory held for resale	23,605
Increase in accounts payable	514,879
Decrease in accrued payroll	(95,861)
Increase in due to retirement system	215,537
Increase in self-insured employee health plan claims payable	43,785
Increase in self-insured workers' compensation claims payable	258,173
Increase in other postemployment benefits payable	1,255,614
Decrease in compensated absences payable	(60,560)
	<u>\$ 2,126,810</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2012**

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	Private Purpose Trusts	Agency
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Restricted cash	\$ 139,426	\$ 349,894
Other assets	<u>-</u>	<u>1,389</u>
Total assets	<u><u>\$ 139,426</u></u>	<u><u>\$ 351,283</u></u>
<b>LIABILITIES</b>		
Due to other funds	9,000	18,500
Other liabilities	<u>-</u>	<u>332,783</u>
Total liabilities	<u>9,000</u>	<u><u>\$ 351,283</u></u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>130,426</u>	
Total liabilities and net assets	<u><u>\$ 139,426</u></u>	

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See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Contributions	\$ 12,100
Total additions	<u>12,100</u>
 <b>DEDUCTIONS</b>	
Loss on investment	2,876
Scholarships and awards	<u>10,000</u>
Total deductions	<u>12,876</u>
 Change in net assets	 (776)
 Net assets - beginning of year	 <u>131,202</u>
 Net assets - end of year	 <u><u>\$ 130,426</u></u>

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See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2012, the District has applied the financial reporting requirements of GASB Statement Nos. 34, 35, 37, 38, 45, 49, 51 and 54. The District's more significant accounting policies 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 school 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.

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

The accompanying financial statements present the activities of the District and other organizational entities determined to be includable in the District's financial reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the District's reporting entity.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**A. Financial Reporting Entity (Cont'd)**

The Extraclassroom Activity Funds of the City School District of Syracuse, New York represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in the agency fund as restricted cash.

The City School District of Syracuse, New York is a component unit of the City of Syracuse, New York (the "City").

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Assets and the Statement of Activities 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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's 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.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**B. Basis of Presentation (Cont'd)**

*Fund Financial Statements:*

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary 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 nonmajor governmental funds.

The District reports the following major governmental funds:

**General Fund**

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

**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. The legal restrictions may be imposed either by governments that provide the funds or by outside parties.

**Joint Schools Construction Board (JSCB) Fund**

The JSCB fund 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.

The District reports the following major proprietary fund:

**School Food Service Fund**

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

(Continued)



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**B. Basis of Presentation (Cont'd)**

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

**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 JSCB fund.

**Capital Projects Fund**

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

**Permanent Fund**

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

The District reports the following fiduciary funds:

**Fiduciary Funds**

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. There are two classes of fiduciary funds:

**Private Purpose Trust 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 extraclassroom activity funds and for payroll or employee withholdings.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund 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 sixty days after the end of the fiscal year.

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 Common Council of the City of Syracuse, New York. Uncollected real property taxes are subsequently enforced by the City of Syracuse, New York. 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**

Except for the enterprise fund, 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.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Revenue, Expenditures and Expenses (Cont'd)**

**Operating and Non-Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Non-operating revenues and expenses for proprietary funds include all revenues and expenses related to investing activities and donated commodities.

**Expenditures/Expenses**

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

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

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund - By Operating and Non-operating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Revenue, Expenditures and Expenses (Cont'd)**

**Interfund Transfers**

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 expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities, business-type 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 3 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 of Syracuse, cash held by fiscal agents, and short-term investments with original maturities of three months or less from date of acquisition.

New York 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.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Cash and Cash Equivalents (Cont'd)**

Collateral is required for demand and time deposits and certificates of deposit 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.

**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 Trust Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes. Net assets 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. Business-type activities report grant-related earnings as the primary receivable.

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 60 days since they would be considered both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**H. Inventory and Prepaid Items**

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of commodities, at stated value which approximates market. Purchases of inventoriable 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 district-wide and fund financial statements. These items are reported as assets on the statement of net assets 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.

**I. Capital Assets (fixed assets)**

Capital assets, which include land improvements, buildings and improvements, furniture and equipment and vehicles as well as intangibles such as software, are reported in the applicable governmental or business-type activities columns 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 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>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Buildings and improvements	39 years	N/A
Furniture and equipment	6-10 years	6-10 years
Vehicles	3-9 years	N/A
Computer software	5-10 years	N/A

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**J. 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 GASB Statement 16, *Accounting for Compensated Absences*, 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, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**K. Other Benefits**

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

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 8 for further information.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**L. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, if any, are deposited in the debt service fund or JSCB fund and used to retire debt in the respective funds. Bond issuance costs which are immaterial are charged as a general fund operating expense.

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. Issuance costs are reported as finance department expenditures in the general fund.

**M. Equity Classifications**

*Government-wide Statements*

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

- a. Invested in capital assets, net of related debt - 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 assets - net assets with constraints placed on the use 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.

Restrict net assets include the following:

Special aid fund	\$ 536,827
Permanent fund	16,936
Capital projects	3,116,622
Joint schools construction board (JSCB)	66,636,131
Debt service	<u>2,041,394</u>
Total restricted net assets	<u>\$ 72,347,910</u>

- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" and are deemed to be available for general use by the District.

(Continued)



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M. Equity Classifications (Cont'd)

*Fund Statements*

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a 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.

Governmental fund equity is classified as fund balance. In the fund basis statements there are five classifications of fund balance:

- a. Non-spendable fund balance - 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 \$855,036.
- 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. All encumbrances of funds and remaining funds not otherwise classified as non-spendable, committed or assigned in funds other than the General fund are classified as restricted fund balance.
- c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. Committed fund balance includes \$427,000 designated for technology in the General Fund.
- d. Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$2,680,754. 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 did not appropriate any fund balance to be used to fund fiscal year 2012-2013 operating expenditures.

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**M. Equity Classifications (Cont'd)**

- e. Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

Proprietary fund equity is classified the same as in the government-wide statements.

*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. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. 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.

**N. 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.

**O. 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 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 compensated absences, potential contingent liabilities and useful lives of long-lived assets.

## **2. BUDGETS AND BUDGETARY ACCOUNTING**

### **Budget Policies**

- a. The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds 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.
- e. An annual budget is not adopted for the Special Revenue Fund. Budgetary controls are established in accordance with grant agreements.

### **Budget Basis of Accounting**

Budgets are adopted annually on a basis consistent with generally accepted accounting principles.

The budget and actual comparison for the governmental fund revenues and expenditures, included in the Schedules of Revenues, Expenditures and Encumbrances - Budget (GAAP Basis) and Actual reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**3. 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 schedules summarize interfund transactions during the year ended June 30, 2012 and balances at June 30, 2012:

	Amount Receivable	Amount Payable
General fund	\$ 13,458,019	\$ -
Special aid fund	-	14,502,993
Private purpose trusts	-	9,000
Capital projects fund	509,526	-
Joint schools construction board	562,948	-
Agency fund	-	18,500
Total	<u>\$ 14,530,493</u>	<u>\$ 14,530,493</u>

	Transfers In	Transfers Out
General fund	\$ 2,008,604	\$ 19,660,709
Special aid fund	8,547,139	2,008,604
Capital projects fund	-	137,411
Joint schools construction board	4,095,263	7,397,149
Debt service fund	14,552,867	-
Total	<u>\$ 29,203,873</u>	<u>\$ 29,203,873</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Disposals/ Transfers	Balance at June 30, 2012
<b>Governmental Activities</b>				
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	5,857,699	-	(636,885)	5,220,814
Buildings and improvements	284,188,293	21,902,148	(645,000)	305,445,441
Furniture and equipment	20,364,267	511,048	(346,955)	20,528,360
Vehicles	3,835,817	299,615	-	4,135,432
Software	6,196,906	139,101	-	6,336,007
Construction in progress (not depreciable)	<u>26,481,728</u>	<u>53,720,028</u>	<u>(21,853,515)</u>	<u>58,348,241</u>
Total capital assets	<u>348,405,035</u>	<u>76,571,940</u>	<u>(23,482,355)</u>	<u>401,494,620</u>
Less accumulated depreciation/amortization:				
Land improvements	(5,802,706)	(10,209)	636,885	(5,176,030)
Buildings and improvements	(179,868,674)	(3,717,076)	645,000	(182,940,750)
Furniture and equipment	(16,178,477)	(1,796,461)	346,955	(17,627,983)
Vehicles	(3,029,824)	(319,074)	-	(3,348,898)
Software	<u>(1,280,346)</u>	<u>(637,690)</u>	<u>-</u>	<u>(1,918,036)</u>
Total accumulated depreciation/ amortization	<u>(206,160,027)</u>	<u>(6,480,510)</u>	<u>1,628,840</u>	<u>(211,011,697)</u>
Governmental activities capital assets, net	<u>\$ 142,245,008</u>	<u>\$ 70,091,430</u>	<u>\$ (21,853,515)</u>	<u>\$ 190,482,923</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 2,180,813	\$ -	\$ (306,138)	\$ 1,874,675
Less accumulated depreciation	<u>(2,114,947)</u>	<u>(31,281)</u>	<u>306,138</u>	<u>(1,840,090)</u>
Business-type activities capital assets, net	<u>\$ 65,866</u>	<u>\$ (31,281)</u>	<u>\$ -</u>	<u>\$ 34,585</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**4. CAPITAL ASSETS (CONT'D)**

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:

Governmental Activities:	
Instruction	\$ 5,312,512
Support Service:	
General	820,884
Pupil Transportation	<u>347,114</u>
Depreciation/Amortization expense	6,480,510
Business-type Activities:	
School Food Service	<u>31,281</u>
Total depreciation/amortization expense	<u>\$ 6,511,791</u>

**5. 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.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**5. CAPITAL INDEBTEDNESS (CONT'D)**

Long-term liability activity for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount due in one year
Governmental Activities:					
Bonds and notes payable:					
Bonds payable	\$ 159,376,127	\$ 48,360,000	\$ 9,727,756	\$ 198,008,371	\$ 12,708,553
Premium on bonds payable	<u>2,474,900</u>	<u>3,062,496</u>	<u>315,041</u>	<u>5,222,355</u>	<u>315,041</u>
Total bonds and premiums payable	<u>161,851,027</u>	<u>51,422,496</u>	<u>10,042,797</u>	<u>203,230,726</u>	<u>13,023,594</u>
Other Liabilities:					
Compensated absences payable	10,052,059	9,991,867	7,034,420	13,009,506	7,691,407
Other postemployment benefits	204,732,401	59,784,230	-	264,516,631	-
Due to retirement systems	16,716,389	24,288,284	18,719,923	22,284,750	22,284,750
Self-insured health plan claims	1,120,155	55,335,797	53,548,265	2,907,687	2,907,687
Self-insured workers' comp claims	34,815,317	6,336,135	3,282,917	37,868,535	3,590,420
Judgments and claims payable	500,000	-	-	500,000	-
Environmental remediation	16,085,587	-	1,087,231	14,998,356	-
Lottery aid payable	<u>25,150,000</u>	<u>-</u>	<u>1,016,667</u>	<u>24,133,333</u>	<u>1,016,666</u>
Total other liabilities	<u>309,171,908</u>	<u>155,736,313</u>	<u>84,689,423</u>	<u>380,218,798</u>	<u>37,490,930</u>
Governmental activities					
Long-term liabilities	<u>\$ 471,022,935</u>	<u>\$ 207,158,809</u>	<u>\$ 94,732,220</u>	<u>\$ 583,449,524</u>	<u>\$ 50,514,524</u>

Payments on bonds and notes payable that pertain to the District's governmental activities are made by the debt service fund.

Liabilities for compensated absences, retirement, self-insurance claims, environmental remediation and judgments and claims attributable to the governmental activities will be liquidated by the general fund.

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount due in one year
Business-Type Activities:					
Compensated absences payable	\$ 195,308	\$ 91,940	\$ 152,500	\$ 134,748	\$ 134,748
Other postemployment benefits	3,127,206	1,255,614	-	4,382,820	-
Due to retirement systems	257,914	603,284	387,747	473,451	473,451
Self-insured health plan claims	17,283	1,168,429	1,124,644	61,068	61,068
Self-insured workers' comp claims	<u>537,158</u>	<u>327,122</u>	<u>68,949</u>	<u>795,331</u>	<u>75,408</u>
Business-type activities					
Long-term liabilities	<u>\$ 4,134,869</u>	<u>\$ 3,446,389</u>	<u>\$ 1,733,840</u>	<u>\$ 5,847,418</u>	<u>\$ 744,675</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**5. CAPITAL INDEBTEDNESS (CONT'D)**

**Revenue and Tax Anticipation Notes Payable**

The District may issue revenue 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.

Short-term debt activity for the year ended June 30, 2012:

	Balance at June 30, 2011	Issued	Redeemed	Balance at June 30, 2012
Revenue Anticipation Notes	\$ <u>-</u>	\$ <u>64,000,000</u>	\$ <u>64,000,000</u>	\$ <u>-</u>

(Continued)



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**5. CAPITAL INDEBTEDNESS (CONT'D)**

**General Obligation Bonds Payable**

General obligation bonds payable included in the accompanying statement of net assets represent obligations issued in the name of the City of Syracuse, New York 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, 2012 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2012</u>
August 13, 1998	2013	4.000-5.250	\$ 110,000
September 30, 2010	2013	2.000-3.000	470,111
May 27, 2004	2014	3.250-5.000	1,775,000
October 15, 2004	2015	4.000-4.750	470,091
July 28, 2005	2015	3.000-3.500	2,985,208
June 13, 2012	2017	2.000-3.000	700,000
May 8, 2003	2019	3.000-5.000	3,765,000
July 28, 2005	2019	2.625-5.000	713,306
September 30, 2010	2019	2.000-4.000	9,715,000
July 28, 2005	2021	3.000-5.000	7,030,000
June 3, 2009	2022	4.000-5.000	433,029
September 30, 2010	2022	2.000-4.000	8,550,000
June 13, 2012	2022	2.000-5.000	800,000
June 15, 2010	2023	2.500-5.000	466,626
June 15, 2008	2024	3.250-5.000	11,250,000
October 15, 2004	2025	3.750-4.250	9,475,000
June 15, 2005	2026	4.000-5.000	3,630,000
November 1, 2005	2027	4.000-5.000	5,825,000
December 23, 2010	2027	3.000-6.000	31,470,000
July 12, 2011	2027	5.428	15,000,000
July 12, 2011	2028	3.000-5.000	31,860,000
June 1, 2007	2030	4.000-5.000	8,150,000
March 12, 2008	2030	3.000-5.250	43,365,000
Totals			<u>\$ 198,008,371</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**5. CAPITAL INDEBTEDNESS (CONT'D)**

**General Obligation Bonds Payable**

On July 12, 2011, City of Syracuse Industrial Development Agency (SIDA) issued School Facility Revenue Bonds, Series 2011A totaling \$31,860,000 and Series 2011B totaling \$15,000,000 with average interest rates of 3.00% to 5.00% and 5.43%, respectively for use by the District in financing a portion of the cost of the project consisting of the design, reconstruction and rehabilitation of various existing school buildings and the acquisition of certain equipment, fixtures and furnishings under the Cooperative School Reconstruction Act. Refer to Note 9 for further information on the District's renovation project under the Cooperative School Reconstruction Act and previous financing of the project.

On June 13, 2012, the City of Syracuse issued Public Improvement Bonds, Series 2012 totaling \$1,500,000 with an average interest rate of 3.12% for use by the District to finance the Heating, Ventilation, and Air-Conditioning (HVAC) system replacement at Henninger High School and masonry repair at Beard School.

General obligation bonds payable as of June 30, 2012 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 12,708,553	\$ 8,848,590	\$ 21,557,143
2014	13,985,551	8,379,114	22,364,665
2015	13,607,611	7,807,868	21,415,479
2016	12,800,251	7,261,785	20,062,036
2017	13,345,660	6,693,116	20,038,776
2018-2022	67,129,814	24,314,538	91,444,352
2023-2027	57,990,931	10,957,016	68,947,947
2028-2030	6,440,000	405,581	6,845,581
Totals	<u>\$ 198,008,371</u>	<u>\$ 74,667,608</u>	<u>\$ 272,675,979</u>

**6. 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, 2012 were approximately \$913,000. The minimum future non-cancelable operating lease payments as of June 30, 2012 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2013	\$ 627,359
2014	351,307
2015	758,729
2016	178,051
2017	178,051
Thereafter	83,698
Total	<u>\$ 2,177,195</u>

(Continued)

## **7. RETIREMENT PLANS**

### **Plan Description**

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

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. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that contains financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

### **Funding Policy**

The Systems are noncontributory for employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For employees who joined on or after April 1, 2012, employees contribute 3% to 6% of their salary depending on the amount of their salary throughout their active membership.

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS. The NYSTRS contribution rates were 11.11%, 8.62% and 6.19% for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**7. RETIREMENT PLANS (CONT'D)**

**Funding Policy (Cont'd)**

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

<u>Years Ending June 30,</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2012	\$ 6,989,809	\$ 21,252,794
2011	\$ 5,686,520	\$ 15,539,793
2010	\$ 4,299,857	\$ 12,819,586

**8. OTHER POSTEMPLOYMENT BENEFITS**

The District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), on a prospective basis. This required the District to calculate and record 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. In the past, 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. Spousal benefits continue until the death of the retiree.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONT'D)**

**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, 2012, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.4 million, amounted to approximately \$21.4 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, 2012, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 86,109,603
Interest on Net OPEB Obligations	8,314,384
Adjustment to Annual Required Contribution	<u>(12,020,542)</u>
Annual OPEB Cost	82,403,445
Contributions Made	<u>(21,363,601)</u>
Increase in Net OPEB Obligation	61,039,844
Net OPEB Obligation - Beginning of Year	207,859,607
Net OPEB Obligation - End of Year	<u>\$ 268,899,451</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 61,041,328	25.12%	\$ 151,352,132
June 30, 2011	72,801,036	22.38%	207,859,607
June 30, 2012	82,403,445	25.93%	268,899,451

(Continued)

**8. OTHER POSTEMPLOYMENT BENEFITS (CONT'D)**

**Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$885 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$222 million, and the ratio of the liability to the annual covered payroll was 399%.

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, 2012 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 10.00% initially, decreasing to 5.00% after seven years for Pre-65 individuals and 9.00% initially, decreasing to 5.00% for Post-65 individuals after seven years. The prescription cost trend begins at 10.00% initially and decreases to 5.00% after seven years. Both rates include a 3.00% 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, 2012 was 30 years.

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## **9. JOINT SCHOOLS CONSTRUCTION BOARD**

The City of Syracuse, New York (the “City”) and the City School District of Syracuse, New York (the “District” or “SCSD”) entered into an agreement in April 2004 to create the Joint Schools Construction Board (JSCB). The JSCB will manage and administer the design, renovation and financing for existing public schools in the District. The JSCB reports to the Common Council and the District Board every six months on the status of projects. Under the agreement, the JSCB will continue for five years and may be renewed for an additional five years. The agreement was renewed for an additional five years in April 2009.

In connection with the proposed school building improvement program, the Cooperative School Reconstruction Act was approved by the State Legislature and signed into legislation by the Governor in 2006. The Act authorizes the School District to improve seven buildings named in the Act for a total cost of up to \$225 million. The Act authorizes new and innovative ways to renovate the buildings and authorizes financing techniques to accomplish the plan. The Act also allows the JSCB to enter into contracts for School projects on behalf of the City and District. The JSCB utilized the City of Syracuse Industrial Development Agency (SIDA) as the conduit issuer of financing for Phase I projects.

### **Financing of JSCB**

In accordance with Chapter 58 Pt. A-4 of the Laws of 2006 of the State of New York pursuant to Indenture of Trusts (Series 2008 Project) between the SIDA (the Issuer) and M&T Trust Company (the Trustee), School Facility Revenue Bonds, Series 2008A, dated March 12, 2008, totaling \$49,230,000, Series 2010A, dated December 23, 2010, totaling \$31,470,000, Series 2011A, dated July 12, 2011, totaling \$31,860,000 and Series 2011B, dated July 12, 2011, totaling \$15,000,000 were issued by the SIDA for the purpose of financing a portion of the cost of the project consisting of the design, reconstruction, rehabilitation, and equipping of certain existing school buildings for use by the District.

The Series 2008A, 2010A, 2011A and 2011B Bonds are special limited obligations of the issuer payable solely from (i) the payment of installment purchase payments by the SCSD and the City under the Installment Sale Agreement and (ii) the pledge of certain funds, including a bond fund and a debt service reserve fund, under the Indenture. In the event the SCSD and the City fail to make an installment purchase payment under the Installment Sale Agreement, it is provided in the Syracuse Schools Act and the Indenture that, upon receipts by the New York State Comptroller (the “State Comptroller”) of a certificate from the Series 2008A, 2010A, 2011A and 2011B Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any state and/or school aid payable to the SCSD or the City to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Series 2008A, 2010A, 2011A and 2011B Trustee on behalf of the Issuer the amount withheld.

(Continued)

**9. JOINT SCHOOLS CONSTRUCTION BOARD (CONT'D)**

The obligation of the SCSD and the City under the Installment Sale Agreement to pay installment purchase payments is not a general obligation of the SCSD or the City and neither the faith and credit nor the taxing powers of the City is pledged to the payment of installment purchase payments under the Installment Sale Agreement. The obligation of the SCSD and the City under the Installment Sale Agreement to pay installment purchase payments in any fiscal year of the SCSD or the City constitutes a current expense of the SCSD for such fiscal year and shall not constitute an indebtedness or moral obligation of the SCSD, the City or the State within the meaning of any constitutional or statutory provision or other laws of the State. Except for the application of the debt service reserve fund, the only source of moneys available for the payment of the principal of and interest on the Series 2008A, 2010A, 2011A and 2011B Bonds is installment purchase payments made by the SCSD and the City under the Installment Sale Agreement to the extent of State Aid to Education appropriated by the State and available to the SCSD and/or the City and appropriated by the City and the SCSD to make such payments, and the intercept by the State Comptroller of any other state and/or school aid payable to the City or the SCSD to the extent of any installment purchase deficiency. The Series 2008A, 2010A, 2011A and 2011B Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon. The District will be responsible for the maintenance and operation of the facilities constructed and/or repaired with the Series 2008A, 2010A, 2011A and 2011B proceeds.

In the year of issuance, the proceeds of the bonds were deposited in accordance with the respective Indenture Trust Agreement between the Issuer and M&T Bank and the bond proceeds were recorded as other financing sources within the fund financial statements. The related liabilities were recorded within the government-wide financial statements of the District. Projects costs and debt service payments were recorded as expenditures of the District.

**10. ENVIRONMENTAL REMEDIATION**

Asbestos remediation obligations have been recognized at June 30, 2012. The estimated liability at June 30, 2012 is based on management's estimated cost to perform remediation. There is potential for changes due to price increases or technology advancements.

**11. CONTINGENCIES AND COMMITMENTS**

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.

(Continued)



**11. CONTINGENCIES AND COMMITMENTS (CONT'D)**

The District has a potential liability for employees who are 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, 2012.

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, 2012.

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 District believes the provisions, as described in Note 5, 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. TERMINATION BENEFITS OBLIGATED DURING THE YEAR**

During the year ended June 30, 2012, the cost of termination benefits was \$3,063,785 for the employees who agreed to retire under the terms of the retirement incentive offered during the current year.

**14. SUBSEQUENT EVENTS**

On August 13, 2012, the District issued \$76,000,000 in Revenue Anticipation Notes at 0.79% maturing on June 28, 2013 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 July 9, 2012.

(Concluded)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

General Fund				
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 55,506,227	\$ 55,506,227	\$ 56,771,844	\$ 1,265,617
Nonproperty taxes	2,000,000	2,000,000	1,884,672	(115,328)
Charges for services	130,350	130,350	238,068	107,718
Use of money and property	981,000	981,000	523,866	(457,134)
Sale of property and compensation for loss	71,100	71,100	258,900	187,800
Miscellaneous	447,000	447,000	976,699	529,699
State and local sources	258,774,348	258,774,348	261,870,717	3,096,369
Federal sources	4,700,000	4,700,000	4,100,068	(599,932)
Total revenues	322,610,025	322,610,025	326,624,834	4,014,809
<b>OTHER SOURCES</b>				
Operating transfers in	1,500,000	1,500,000	2,008,604	508,604
Total revenues and other sources	324,110,025	324,110,025	328,633,438	4,523,413
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	54,238,206	54,238,206	47,630,777	6,607,429
Instruction	233,841,333	233,841,333	241,822,772	(7,981,439)
Pupil transportation	21,367,625	21,367,625	20,203,737	1,163,888
Interest	1,500,000	1,500,000	416,924	1,083,076
Total expenditures and encumbrances	310,947,164	310,947,164	310,074,210	872,954
<b>OTHER USES</b>				
Operating transfers out	23,162,861	23,162,861	19,660,709	3,502,152
Total expenditures and other uses	334,110,025	334,110,025	329,734,919	4,375,106
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	<u>\$ (10,000,000)</u>	<u>\$ (10,000,000)</u>	(1,101,481)	<u>\$ 8,898,519</u>
EFFECT OF ENCUMBRANCES			(2,224,788)	
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			<u>\$ (3,326,269)</u>	

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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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
6/30/2010	\$ -	\$ 697,062,263	\$ 697,062,263	0.00%	\$ 223,238,746	312.25%
6/30/2011	-	933,884,652	933,884,652	0.00%	222,199,320	420.29%
6/30/2012	-	885,412,485	885,412,485	0.00%	221,664,216	399.44%

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Permanent Fund	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled restricted cash and cash equivalents	\$ 16,936	\$ 2,788,129	\$ 2,041,394	\$ 4,846,459
Due from other funds	-	509,526	-	509,526
Total assets	<u>\$ 16,936</u>	<u>\$ 3,297,655</u>	<u>\$ 2,041,394</u>	<u>\$ 5,355,985</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 151,525	\$ -	\$ 151,525
Accrued expenses	-	29,508	-	29,508
Total liabilities	<u>-</u>	<u>181,033</u>	<u>-</u>	<u>181,033</u>
<b>FUND BALANCE</b>				
Restricted/Total fund balance	<u>16,936</u>	<u>3,116,622</u>	<u>2,041,394</u>	<u>5,174,952</u>
Total liabilities and fund balances	<u>\$ 16,936</u>	<u>\$ 3,297,655</u>	<u>\$ 2,041,394</u>	<u>\$ 5,355,985</u>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Permanent Fund	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Use of money and property	\$ 14	\$ -	\$ 33,042	\$ 33,056
Sale of property and compensation for loss	-	550,000	-	550,000
State and local sources	-	250,000	-	250,000
Total revenues	14	800,000	33,042	833,056
<b>EXPENDITURES</b>				
Principal	-	-	9,727,756	9,727,756
Interest	-	-	8,687,700	8,687,700
Capital Outlay	-	492,741	-	492,741
Total expenditures	-	492,741	18,415,456	18,908,197
Excess (deficiency) of revenues over expenditures	14	307,259	(18,382,414)	(18,075,141)
<b>OTHER FINANCING SOURCES AND USES</b>				
Proceeds from debt	-	1,500,000	-	1,500,000
Operating transfers in	-	-	14,552,867	14,552,867
Operating transfers out	-	(137,411)	-	(137,411)
Total other financing sources	-	1,362,589	14,552,867	15,915,456
Net change in fund balances	14	1,669,848	(3,829,547)	(2,159,685)
Fund balances - beginning of year	16,922	1,446,774	5,870,941	7,334,637
Fund balances - end of year	\$ 16,936	\$ 3,116,622	\$ 2,041,394	\$ 5,174,952

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**ANALYSIS OF USE OF UNRESERVED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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Unreserved fund balance at beginning of year	\$ 22,139,328
Less: appropriated fund balance (designated)	<u>10,000,000</u>
Undesignated fund balance at beginning of year	<u><u>\$ 12,139,328</u></u>

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
SUPPLEMENTARY INFORMATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012

Project Title	Expenditures to Date				Unexpended (Overexpended) Balance	Methods of Financing			Fund Balance June 30, 2012
	Original Appropriation	Revised Appropriation	Prior Years	Current Year		Projects Closed	Total	Proceeds of Obligations	
Henninger Chiller Replacements	-	700,000	-	-	-	-	-	700,000	700,000
Beard Masonry Repair	-	800,000	-	34,916	34,916	-	-	800,000	765,084
Districtwide Wiring/Technology	27,700,000	-	4,834,500	-	4,834,500	-	-	-	-
Districtwide Wiring/Technology	14,534,496	-	9,494,977	-	9,494,977	-	-	-	-
2009 Districtwide E-Rate	-	3,075,000	-	96,384	96,384	-	-	-	(96,384)
Network Refresh E-Rate	-	12,375,750	-	-	-	-	-	-	-
Corcoran Bleachers	477,300	477,300	177,594	254,751	432,345	-	-	477,300	44,955
Greystone Building	36,000,000	36,000,000	5,746,598	-	5,746,598	-	-	5,750,000	3,402
Blodgett Renovations	36,000,000	36,000,000	-	-	-	-	-	-	500,000
Partial EXCEEL Projects	6,905,000	1,805,000	6,149,449	41,690	5,220,891	970,248	-	1,396,800	811,352
All other various	185,642	315,000	78,610	65,000	65,000	78,610	-	138,213	388,213
<b>TOTAL</b>	<b>\$ 121,802,438</b>	<b>\$ 91,548,050</b>	<b>\$ 26,481,728</b>	<b>\$ 492,741</b>	<b>\$ 7,345,491</b>	<b>\$ 19,628,978</b>	<b>\$ 84,202,559</b>	<b>\$ 8,646,800</b>	<b>\$ 3,116,622</b>
								<b>\$ 523,013</b>	<b>\$ 10,462,113</b>
								<b>\$ 1,292,300</b>	

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

	Code	ST-3 Amount	Audited Amount
<b>REVENUES</b>			
Real Property Taxes	A-1001	\$ 56,771,844	\$ 56,771,844
Other Tax Items	AT-1099	7,180,725	-
Nonproperty Taxes	AT-1199	1,884,672	1,884,672
Charges for Services	AT-2399	238,068	238,068
Use of Money and Property	AT-2499	523,866	523,866
Sale of Property and Compensation for Loss	AT-2699	258,900	258,900
Miscellaneous	AT-2799	3,180,315	976,699
Interfund Revenues	A-2801	2,008,604	-
State Aid	AT-3999	254,116,768	261,870,717
Federal Aid	AT-4999	2,469,676	4,100,068
Operating Transfers In	AT-5059	-	2,008,604
Total Revenues and Other Financing Sources	AT-5999	<u>\$ 328,633,438</u>	<u>\$ 328,633,438</u>
<b>EXPENDITURES</b>			
General Support	AT-1999	\$ 35,717,560	\$ 49,014,559
Instruction	AT-2999	162,433,956	242,455,034
Pupil Transportation	AT-5599	19,240,165	20,412,481
Community Service	AT-8099	-	-
Employee Benefits	AT-9098/A-8015	94,490,393	-
Debt Service - Interest	AT-9798.7	416,924	416,924
Interfund Transfers	AT-9951	19,660,709	19,660,709
Total Expenditures and Other Financing Uses	AT-9999/A-8015	<u>\$ 331,959,707</u>	<u>\$ 331,959,707</u>

The differences noted above are explained as follows:

State source revenues in the financial statements include all revenues from State sources. State aid is reported on ST-3 code line AT-3999, State Aid and ST-3 code line AT-1099, Other Tax Items. All other State source income is included on code line AT-2799, Miscellaneous.

Interfund revenues on the ST-3 code line A-2801, Interfund Revenues, are reported on the financial statement line Interfund Transfers.

General Support, Instruction and Pupil Transportation expenditures on the financial statements include allocated amounts of employee benefits. The ST-3 shows employee benefits on a separate line (ST-3 code AT-9098.0), however, on the financial statements they are allocated between all other expenditures.

The above differences do not require an amendment to the ST-3.



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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Capital assets, net		\$ 190,517,508
Add:		
Deferred loss on early retirement of debt	<u>2,094,282</u>	2,094,282
Deduct:		
Premium on bonds payable	5,222,355	
Short-term portion of bonds payable	12,708,553	
Long-term portion of bonds payable	185,299,818	
Less: unspent bond proceeds	(75,907,634)	
Less: bond proceeds not related to capital assets	<u>(996,335)</u>	<u>(126,326,757)</u>
Investment in capital assets, net of related debt		<u>\$ 66,285,033</u>