

BASIC FINANCIAL STATEMENTS

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

JUNE 30, 2013

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-17
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position - June 30, 2013	18
Statement of Activities and Changes in Net Position - For the Year Ended June 30, 2013	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds - June 30, 2013	20
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - For the Year Ended June 30, 2013	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Position - For the Year Ended June 30, 2013	22
Statement of Net Position - Proprietary Fund - June 30, 2013	23
Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund - For the Year Ended June 30, 2013	24
Statement of Cash Flows - Proprietary Fund - For the Year Ended June 30, 2013	25
Statement of Fiduciary Net Assets - Fiduciary Funds - June 30, 2013	26
Statement of Change in Fiduciary Net Assets - Fiduciary Funds - For the Year Ended June 30, 2013	27
Notes to Basic Financial Statements	28-56

(Continued)

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION SECTION:	
Schedule of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund - For the Year Ended June 30, 2013	57
Schedule of Funding Progress for Other Postemployment Benefits - For the Year Ended June 30, 2013	58
SUPPLEMENTARY INFORMATION SECTION:	
Combining Statements - Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds - June 30, 2013	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - For the Year Ended June 30, 2013	60
Capital Projects Fund - Schedule of Project Expenditures - For the Year Ended June 30, 2013	61
Schedule of Net Investment in Capital Assets - For the Year Ended June 30, 2013	62



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 funds) of the City School District of Syracuse, New York (the "District"), component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

(Continued)

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Encumbrances - Budget and Actual and the Schedule of Funding Progress for Other Postemployment Benefits on pages 4-17 and 57-58 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City School District of Syracuse, New York's basic financial statements as a whole. The information contained in the Supplementary Information Section on pages 59-62 as listed in the Table of Contents, 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The Supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2013 on our consideration of the City School District of Syracuse, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City School District of Syracuse, New York's internal control over financial reporting and compliance.

December 11, 2013
Syracuse, New York

(Concluded)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

The purpose of the Management's Discussion and Analysis ("MD&A") of the City School District of Syracuse, New York'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, 2013. 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 \$391.6 million for governmental activities of which it received \$298.3 million from state and federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The District's total net position for all activities decreased by \$33.0 million as a result of this year's operations.
- At June 30, 2013, total net position for all activities was a deficiency of \$311.1 million mainly as a result of including other postemployment benefits expenditures of \$333.8 million.
- At June 30, 2013, total capital assets, net of depreciation were \$238.1 million.
- The total depreciation expense for all activities was \$6.0 million.
- The total long-term general obligation bonds payable, as of June 30, 2013, were \$185.3 million, a decrease of \$12.7 million from the prior year.

Fund Financial Statement Overview

- The total revenue for all governmental funds was \$419.5 million which was an increase of \$3.3 million or 0.8% over the 2011-2012 year.
- The final General Fund budget of \$359.4 million was an increase of \$25.3 million or 7.6% over the 2011-2012 year.
- General Fund revenues (including operating transfers in) of \$357.1 million were an increase of \$28.5 million or 8.7% over the 2011-2012 year.
- General Fund expenditures (including operating transfers out) of \$340.5 million were an increase of \$8.6 million or 2.6% over the 2011-2012 year.
- The General Fund's fund balance increased by \$16.6 million from \$18.8 million to \$35.4 million.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

USING THIS ANNUAL REPORT

This annual report consists of three components: required supplementary information, including the MD&A (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- Government-wide financial statements include the Statement of Net Position and the Statement of Activities and Changes in Net Position. These statements provide both short-term and long-term information about the activities of the District as a whole.
- Fund financial statements 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.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

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)	Activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	The District's proprietary fund is School Food Service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	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 /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All 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 (Trust Fund only)

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

Government-wide Financial Statements

One of the most fundamental and key questions relative to any school district is *How did we do financially during the course of this past year?* To help answer this question, the Statement of Net Position and the Statement of Activities and Changes in Net Position provide information on the School District as a whole 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 and Changes in Net Position regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

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

In the Government-wide Statement of Net Position and the Statement of Activities and Changes in Net Position, the District 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 fees 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, 2013**

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 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 District's programs. Because this information does not encompass the additional long-term focus of the government-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 position (Table 2, Table 4) and the changes in net position (Table 3, Table 5) of the District's governmental and business-type activities.

In Table 2 (see page 9), total governmental assets decreased by approximately 0.6%. Current and Other Assets decreased by \$50.0 million as cash was used to make payments during the year for the renovation projects at four schools implemented under Phase 1 of the Joint Schools Construction Board (JSCB) school reconstruction program. In turn, as a result of these projects, Capital Assets increased by \$47.6 million due to the addition of construction in progress for these major renovation projects.

Total liabilities increased by approximately 5.0%. The increase is attributable to the growing liability for other postemployment benefits (OPEB) that rose by \$64.9 million this year (allocated as \$63.7 million governmental and \$1.2 million business-type).

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

The District's combined governmental net position decreased approximately \$34.0 million or 12.3%. At June 30, 2013, the total liabilities exceeded the total assets by \$309.7 million (net deficit).

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

	Governmental Activities		Percentage Change
	2012	2013	
Current and Other Assets	\$ 161,201	\$ 111,320	-30.9%
Capital Assets	190,483	238,131	25.0%
Total Assets	351,684	349,451	-0.6%
Bonds Payable - Due in One Year	12,709	13,986	10.0%
Bonds Payable - Due in More Than One Year	185,300	171,314	-7.5%
Other Liabilities	429,425	473,878	10.4%
Total Liabilities	627,434	659,178	5.1%
Net Position			
Net investments in capital assets	66,250	69,879	5.5%
Restricted	72,348	21,731	-70.0%
Unrestricted (deficit)	(414,348)	(401,337)	3.1%
Total Net Position	\$ (275,750)	\$ (309,727)	-12.3%

As shown below in Table 3, the District's total revenues from governmental activities increased by 1.8% or \$7.2 million. The cost of all governmental programs and services decreased by 3.5% or \$16.5 million.

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

	Governmental Activities		Percentage Change
	2012	2013	
Revenues			
Program Revenues:			
Charges for Services	238	254	6.7%
Operating Grants and Contributions	71,571	61,343	-14.3%
General Revenues:			
Property Taxes and Other Taxes	58,657	58,567	-0.2%
State and Local Sources	274,365	293,553	7.0%
Federal Sources	4,803	4,698	-2.2%
Use of Money and Property	557	417	-25.1%
Miscellaneous	1,786	379	-78.8%
Total Revenues	411,977	419,211	1.8%
Expenses			
General Support	57,937	56,033	-3.3%
Instruction	374,954	360,209	-3.9%
Pupil Transportation	24,500	24,550	0.2%
Community Service	2,928	3,130	6.9%
Interest	9,411	9,267	-1.5%
Total Expenses	469,730	453,189	-3.5%
Increase (Decrease) in Net Position	\$ (57,753)	\$ (33,978)	-41.2%

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

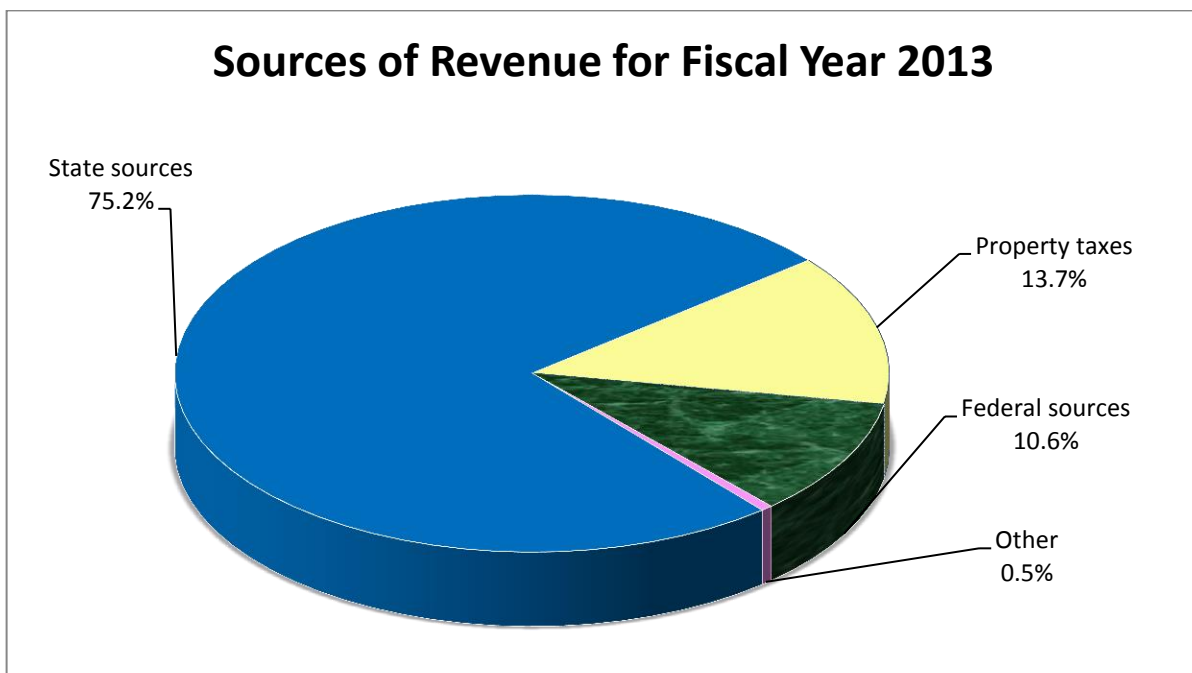
The increase in revenue of 1.8% or \$7.2 million is due to the following factors:

Revenues in the State and Local Aid category increased mainly due to State aid revenues of \$17.4 million from the special apportionment provided pursuant to Chapter 57 of the Laws of 2013 which allows school districts to accrue a portion of their subsequent year’s State aid into the current fiscal year.

The increase in State revenue was offset by declining Operating Grants and Contributions mainly due to reductions in Federal and State grant funding.

The District is dependent on New York State and Federal sources for financing day to day operations with these two funding sources comprising 85.8% 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 2013



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

Expenses decreased by 3.5% or \$16.5 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. General Support expenditures were also reduced due to lower health and prescription costs under the District’s self-insured plan and lower unemployment costs than in the prior year. Instruction costs were also reduced in programs funded by Federal and State grant funding to compensate for the funding reductions.

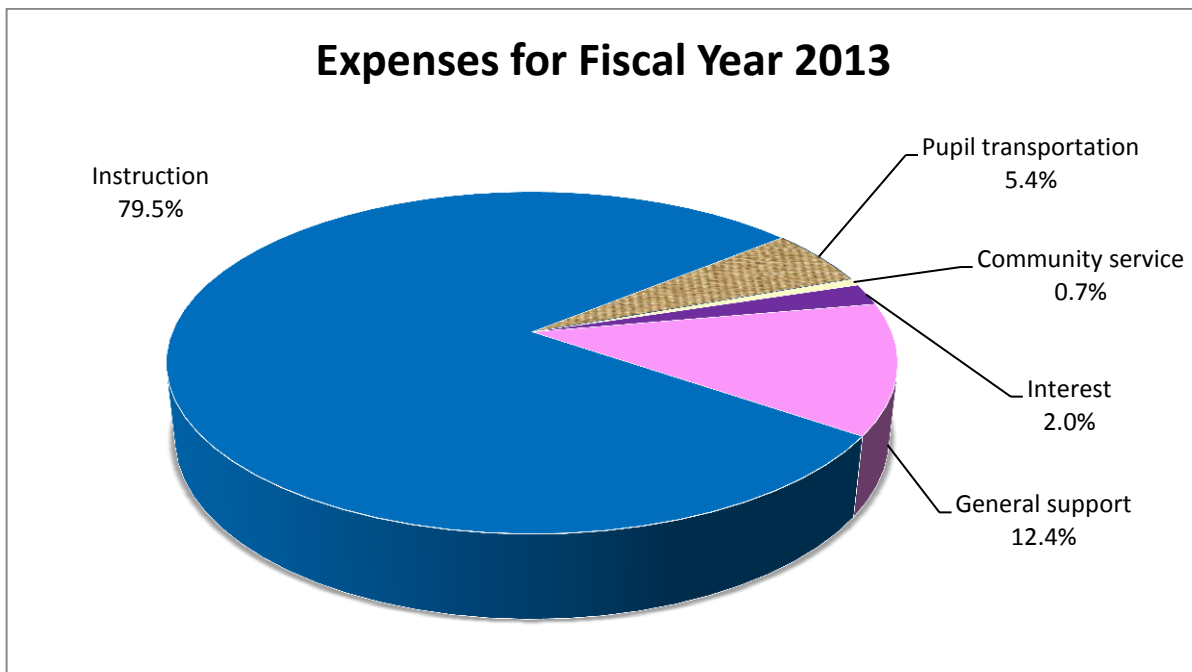
Pupil Transportation expenses decreased 0.2% due to route consolidation and despite transportation contract pricing being tied to the increasing Consumer Price Index (“CPI”) which increased this year.

The District spent 79.5% of total expenses 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 12.4% of total expenses.

Pupil Transportation services to transport all students who are residents of the District to sites both within and outside of the District utilized 5.4% of total expenses.

Chart 2 – Expenses by Percentage for Fiscal Year 2013



(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

In Table 4, total assets of business-type activities increased by 28.7% or \$1.2 million mainly due to the timing of cash receipts. Equity in pooled cash and cash equivalents was \$1.2 million higher than in the prior year as State and Federal aid reimbursements were higher under the provisions of the Community Eligibility Option which began in the current year resulting in more cash on hand at year-end.

The total liabilities increased by 3.6% or \$0.2 million. The current year liability for the cost of other postemployment benefits increased \$1.2 million. This increase was partially offset by the \$0.7 million decrease in accounts payable liabilities due to the timing of cash disbursements and the reductions in the liabilities for retirement benefits and worker' compensation claims of \$0.1 million each.

The net position of the business-type activities decreased by \$1.0 million due to the current year's operating profit.

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

	Business-Type Activities		Percentage Change
	2012	2013	
Current and Other Assets	\$ 4,319	\$ 5,596	29.6%
Capital Assets	35	7	-80.0%
Total Assets	4,354	5,603	28.7%
Other Liabilities	6,690	6,931	3.6%
Total Liabilities	6,690	6,931	3.6%
Net Position			
Net investments in capital assets	35	7	-80.0%
Unrestricted (deficit)	(2,371)	(1,335)	43.7%
Total Net Position	\$ (2,336)	\$ (1,328)	43.2%

In Table 5, the business-type activities revenues increased \$1.9 million or 17.7%. The District began participating in the Community Eligibility Option which allows schools with high percentages of low-income children to provide free breakfast and lunch to all students and receive Federal and State reimbursement for each meal served. As a result of this program, the number of meals served for breakfast and lunch increased by 1.06 million from 3.95 million to 5.01 million.

Total costs increased 0.3% with higher costs to provide meals offset by lower fringe benefit costs.

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

	Business-Type Activities		Percentage Change
	2012	2013	
Revenues			
Program Revenues:			
Charges for Services	\$ 653	\$ 272	-58.3%
Operating Grants and Contributions	10,175	12,478	22.6%
Total Revenues	10,828	12,750	17.7%
Expenses			
Food Service	11,702	11,741	0.3%
Total Expenses	11,702	11,741	0.3%
Increase (Decrease) in Net Position	\$ (874)	\$ 1,009	215.4%

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$57.1 million, which is a decrease of \$34.0 million from the prior year combined fund balance of \$91.1 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, 2013, is \$35.4 million, which is an increase of \$16.6 million from the prior year fund balance of \$18.8 million. Of the balance at June 30, 2013, \$18.0 million was unassigned. The unassigned fund balance represents 5.3% of the total current year General Fund expenditures, while total fund balance represents 10.4% of that same amount.

JSCB Fund

At June 30, 2013, the Joint Schools Construction Board ("JSCB") Fund reported a fund balance of \$16.4 million, which is a decrease of \$50.2 million from the prior year fund balance of \$66.6 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 \$16.6 million or 4.6% less than the final budget amount of \$359.4 million mainly due to lower than budgeted expenditures for salaries and related benefits including Medicare, Social Security, and employee retirement due to vacancies, health and prescription costs due to lower claim volume and severity, utilities due to the mild winter, transportation costs due to route consolidation and unemployment due to the improving economy.

Resources available for appropriation (revenues) excluding the use of fund balance were \$2.2 million or 0.6% less than the final budgeted amount of \$359.4 million. This resulted primarily from lower than budgeted Career Education and Academic Improvement aid due to lower enrollment and lower Transportation Aid than budgeted as the CPI increase was less than budgeted causing both the expenditures and associated reimbursements to be lower.

The District's original General Fund budget of \$359.4 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 and Actual for the Year Ended June 30, 2013 on page 57.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSETS

At June 30, 2013, the District had \$238.1 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 \$47.6 million or 25.0% 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)**

	Governmental Activities and Business-Type Activities		Percentage Change
	2012	2013	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	45	35	-22.2%
Buildings and Improvements	122,505	120,805	-1.4%
Furniture and Equipment	2,935	2,237	-23.8%
Vehicles	787	590	-25.0%
Software	4,418	3,842	-13.0%
Construction in Progress	58,348	109,149	87.1%
Total	<u>\$ 190,518</u>	<u>\$ 238,138</u>	25.0%

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

DEBT ADMINISTRATION

At June 30, 2013, the District had \$185.3 million of bonds and notes payable outstanding compared to \$198.0 million last year, a decrease of \$12.7 million or 6.4%. The District did not issue any bonds or notes payable in the current year. As the District continues to renovate aging facilities, it is anticipated debt will increase in future years.

More detailed information about the District's long-term liabilities is presented in Note 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, 2013**

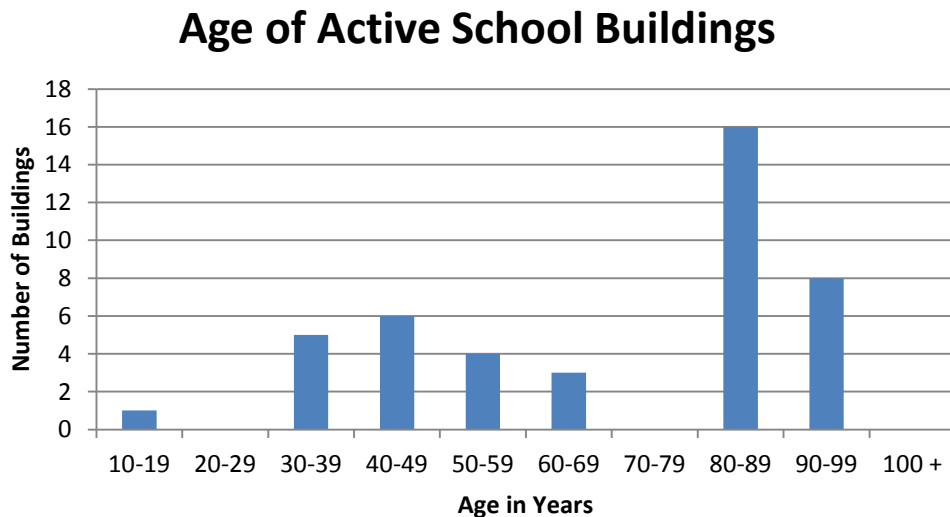
CHALLENGES FACING THE DISTRICT

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 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, 2013**

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, 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 were completed. In 2011-2012, construction began on major renovation projects at Central Tech, Dr. Weeks, H.W. Smith, and Fowler. During 2012-13, the Fowler, Dr. Weeks, and Central Tech project reached the substantial completion stage of construction. The H.W. Smith project is expected to be substantially complete in December 2013.

In May 2013, the New York State Legislature approved an amended version of the Syracuse Cooperative School Reconstruction Act that authorizes a second phase of up to twenty school reconstruction projects for an amount not to exceed \$300,000,000. Specific schools to be renovated are not named in the legislation. Rather, projects are to be recommended as part of a comprehensive planning process to be undertaken by the District. The bill was approved by the New York State Governor in October 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 other districts in the State.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013**

CHALLENGES FACING THE DISTRICT - (CONT'D)

In April 2007, the New York State Legislature enacted the State Education Budget and Reform Act of 2007 ("Education Act") to offer resources and aid to the highest-need students in the lowest-performing schools. The Legislature passed a budget for the 2008-09 school year that fully funded the aid increases contained in the Education Act. However, school aid was frozen in the 2009-10 budget due to the state's fiscal challenges, and remained frozen in the 2010-11 and 2011-12 school years. Modest increases in school aid were provided in the 2012-13 and 2013-14 budgets.

NEXT YEAR'S BUDGET

In preparing the 2013-14 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 remained stable and state aid declined slightly. The budget includes \$8.0 million in appropriated fund balance.

In order to balance the budget, the District eliminated approximately 81 positions and will apply for a special apportionment provided pursuant to Chapter 57 of the Laws of 2013 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 POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 30,700,395	\$ 4,546,076	\$ 35,246,471
Receivables:			
State and Federal aid	40,840,189	835,156	41,675,345
Due from other governments	4,192,249	-	4,192,249
Other	2,585,902	22,798	2,608,700
Inventory	1,240,412	191,569	1,431,981
Prepaid expenses	2,686,811	-	2,686,811
Pooled restricted cash and cash equivalents	27,270,702	-	27,270,702
Deferred charges	1,803,082	-	1,803,082
Capital assets, net of accumulated depreciation/ amortization	<u>238,130,935</u>	<u>7,175</u>	<u>238,138,110</u>
Total Assets	<u>349,450,677</u>	<u>5,602,774</u>	<u>355,053,451</u>
LIABILITIES			
Payables:			
Accounts payable	11,759,730	109,181	11,868,911
Accrued expenses	11,887,756	-	11,887,756
Accrued payroll	3,742,245	50,316	3,792,561
Due to other governments	1,859,580	2,468	1,862,048
Accrued interest	1,409,496	-	1,409,496
Due to fiduciary funds	94,801	-	94,801
Long-term liabilities:			
Due and payable within one year			
Bonds payable	13,985,551	-	13,985,551
Premium on bonds payable	315,041	-	315,041
Due to retirement systems	21,116,391	385,069	21,501,460
Self-insured employee health plan claims	529,109	9,649	538,758
Self-insured workers' compensation claims	5,180,151	94,463	5,274,614
Compensated absences payable	6,857,969	179,512	7,037,481
Lottery aid payable	1,016,667	-	1,016,667
Due and payable in more than one year:			
Bonds payable	171,314,261	-	171,314,261
Premium on bonds payable	4,592,273	-	4,592,273
Self-insured workers' compensation claims	30,460,851	555,470	31,016,321
Compensated absences payable	6,045,129	-	6,045,129
Environmental remediation	16,187,116	-	16,187,116
Other postemployment benefits	328,223,778	5,544,554	333,768,332
Judgments and claims payable	500,000	-	500,000
Lottery aid payable	<u>22,100,000</u>	<u>-</u>	<u>22,100,000</u>
Total Liabilities	<u>659,177,895</u>	<u>6,930,682</u>	<u>666,108,577</u>
NET POSITION			
Net investments in capital assets	69,878,970	7,175	69,886,145
Restricted	21,731,186	-	21,731,186
Unrestricted	<u>(401,337,374)</u>	<u>(1,335,083)</u>	<u>(402,672,457)</u>
Total Net Position	<u>\$ (309,727,218)</u>	<u>\$ (1,327,908)</u>	<u>\$ (311,055,126)</u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Services		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General support	\$ 56,032,547	\$ -	\$ -	\$ (56,032,547)	\$ -	\$ (56,032,547)
Instruction	360,209,087	253,658	58,609,900	(301,345,529)	-	(301,345,529)
Pupil transportation	24,549,679	-	275,839	(24,273,840)	-	(24,273,840)
Community service	3,130,112	-	2,457,647	(672,465)	-	(672,465)
Interest	9,266,554	-	-	(9,266,554)	-	(9,266,554)
Total Governmental Activities	453,187,979	253,658	61,343,386	(391,590,935)	-	(391,590,935)
BUSINESS-TYPE ACTIVITIES						
Food Service	11,740,941	271,546	12,477,541	-	1,008,146	1,008,146
Total Business-Type Activities	11,740,941	271,546	12,477,541	-	1,008,146	1,008,146
Totals	\$ 464,928,920	\$ 525,204	\$ 73,820,927	(391,590,935)	1,008,146	(390,582,789)
GENERAL REVENUES						
General property taxes				57,321,520	-	57,321,520
Nonproperty taxes				1,244,984	-	1,244,984
Use of money and property				417,377	91	417,468
Sale of property and compensation for loss				30,564	-	30,564
Miscellaneous				348,920	-	348,920
State and local sources				293,552,673	-	293,552,673
Federal sources				4,697,508	-	4,697,508
Total General Revenues				357,613,546	91	357,613,637
Change in Net Position				(33,977,389)	1,008,237	(32,969,152)
Total Net Position - beginning of year				(275,749,829)	(2,336,145)	(278,085,974)
Total Net Position - end of year				\$ (309,727,218)	\$ (1,327,908)	\$ (311,055,126)

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash:					
Pooled cash and cash equivalents	\$ 30,795,196	\$ -	\$ -	\$ -	\$ 30,795,196
Pooled restricted cash and cash equivalents	1,152,616	-	23,102,749	2,920,536	27,175,901
Receivables:					
Due from other funds	10,620,770	-	-	2,451,967	13,072,737
State and Federal aid	25,284,549	15,515,640	-	40,000	40,840,189
Due from other governments	4,005,993	-	-	-	4,005,993
Other	244,218	2,341,684	-	-	2,585,902
Inventory	1,240,412	-	-	-	1,240,412
Prepaid expenses	2,686,811	-	-	-	2,686,811
 Total assets	 <u>\$ 76,030,565</u>	 <u>\$ 17,857,324</u>	 <u>\$ 23,102,749</u>	 <u>\$ 5,412,503</u>	 <u>\$ 122,403,141</u>
LIABILITIES					
Payables:					
Accounts payable	\$ 9,142,613	\$ 2,566,251	\$ -	\$ 50,866	\$ 11,759,730
Accrued expenses	6,547,343	-	6,056,047	106,454	12,709,844
Accrued payroll	2,907,591	834,654	-	-	3,742,245
Due to other governments	-	1,859,580	-	-	1,859,580
Due to other funds	-	12,511,822	655,716	-	13,167,538
Long-term liabilities:					
Due to retirement systems	21,116,391	-	-	-	21,116,391
Self-insured workers' compensation claims	922,009	-	-	-	922,009
 Total liabilities	 <u>40,635,947</u>	 <u>17,772,307</u>	 <u>6,711,763</u>	 <u>157,320</u>	 <u>65,277,337</u>
FUND BALANCES					
Non-spendable	3,927,223	-	-	-	3,927,223
Restricted	-	85,017	16,390,986	5,255,183	21,731,186
Committed	427,000	-	-	-	427,000
Assigned	13,028,909	-	-	-	13,028,909
Unassigned	18,011,486	-	-	-	18,011,486
 Total fund balances	 <u>35,394,618</u>	 <u>85,017</u>	 <u>16,390,986</u>	 <u>5,255,183</u>	 <u>57,125,804</u>
 Total liabilities and fund balances	 <u>\$ 76,030,565</u>	 <u>\$ 17,857,324</u>	 <u>\$ 23,102,749</u>	 <u>\$ 5,412,503</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	238,130,935
Deferred charges recorded as incurred in the funds	1,803,082
Receivables not received within 90 days and therefore not reported in the funds	186,256
Accrued interest not paid within 90 days and therefore not reported in the funds	(1,409,496)
Long-term liabilities, including bonds payable, compensated absences and other employee benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(605,563,799)</u>
Net position of governmental activities	<u>\$ (309,727,218)</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, 2013

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
REVENUES					
General property taxes	\$ 57,321,520	\$ -	\$ -	\$ -	\$ 57,321,520
Nonproperty taxes	1,244,984	-	-	-	1,244,984
Charges for services	253,658	-	-	-	253,658
Use of money and property	414,299	-	-	3,078	417,377
Sale of property and compensation for loss	30,564	-	-	-	30,564
Miscellaneous	348,920	-	-	-	348,920
State and local sources	293,448,495	21,705,324	234,550	40,000	315,428,369
Federal sources	2,644,090	39,638,062	733,157	1,407,786	44,423,095
Total revenues	355,706,530	61,343,386	967,707	1,450,864	419,468,487
EXPENDITURES					
General support	47,718,534	-	-	-	47,718,534
Instruction	242,360,422	64,401,465	-	-	306,761,887
Pupil transportation	20,603,944	303,096	-	-	20,907,040
Community service	-	2,700,501	-	-	2,700,501
Debt service:					
Principal	-	-	-	12,708,559	12,708,559
Interest	525,350	-	-	8,848,590	9,373,940
Capital outlay	-	-	48,886,618	4,446,573	53,333,191
Total expenditures	311,208,250	67,405,062	48,886,618	26,003,722	453,503,652
Excess (deficiency) of revenues over expenditures	44,498,280	(6,061,676)	(47,918,911)	(24,552,858)	(34,035,165)
OTHER FINANCING SOURCES AND USES					
Operating transfers in	1,409,954	7,019,820	8,214,122	24,817,039	41,460,935
Operating transfers out	(29,326,675)	(1,409,954)	(10,540,356)	(183,950)	(41,460,935)
Total other sources (uses)	(27,916,721)	5,609,866	(2,326,234)	24,633,089	-
Net changes in fund balances	16,581,559	(451,810)	(50,245,145)	80,231	(34,035,165)
Fund balances - beginning of year	18,813,059	536,827	66,636,131	5,174,952	91,160,969
Fund balances - end of year	\$ 35,394,618	\$ 85,017	\$ 16,390,986	\$ 5,255,183	\$ 57,125,804

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (34,035,165)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position are different because:

Governmental Activities recognize revenue based on economic resource measurement. Fund activities utilize current financial resources. Revenues that are reported in the governmental funds that are not reported as revenue in the Statement of Activities and Changes in Net Position. (257,897)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those outlays is allocated over their estimated useful lives and reported as depreciation/ amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period. 47,648,012

Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 12,708,559

In the Statement of Activities and Changes in Net Position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 107,386

Some expenses reported in the Statement of Activities and Changes in Net Position, 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. (60,148,284)

Change in Net Position of Governmental Activities \$ (33,977,389)

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2013

	<u>School Food Service</u>
ASSETS	
Equity in pooled cash and cash equivalents	\$ 4,546,076
Receivables:	
State and Federal aid	835,156
Other	22,798
Inventory	191,569
Total current assets	<u>5,595,599</u>
Capital assets, net of accumulated depreciation	<u>7,175</u>
Total assets	<u>5,602,774</u>
LIABILITIES	
Accounts payable	109,181
Accrued payroll	50,316
Due to other governments	2,468
Due to retirement systems	385,069
Self-insured employee health plan claims	9,649
Self-insured workers' compensation claims	94,463
Compensated absences payable	179,512
Total current liabilities	<u>830,658</u>
Other postemployment benefits	5,544,554
Self-insured workers' compensation claims	555,470
Total non-current liabilities	<u>6,100,024</u>
Total liabilities	<u>6,930,682</u>
NET POSITION	
Net investments in capital assets	7,175
Unrestricted	<u>(1,335,083)</u>
Total net position	<u>\$ (1,327,908)</u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	School Food Service
OPERATING REVENUES	
Sales	\$ 271,546
State and local sources	360,398
Federal sources	11,437,000
Surplus food	680,143
Total operating revenues	12,749,087
OPERATING EXPENSES	
Salaries	3,567,576
Fringe benefits	2,936,825
Purchased services	169,628
Materials and supplies	77,589
Cost of sales	4,961,913
Depreciation	27,410
Total operating expenses	11,740,941
Operating income	1,008,146
NON-OPERATING REVENUES	
Interest	91
Change in net position	1,008,237
Net position - beginning of year	(2,336,145)
Net position - end of year	\$ (1,327,908)

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 271,867
Receipts from state and local sources	392,605
Receipts from federal sources	11,382,138
Payments to suppliers	(5,223,993)
Payments to employees	(5,579,300)
	1,243,317
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payments to other governments	(12)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	91
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,243,396
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 3,302,680
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 4,546,076
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,008,146
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,410
Change in assets and liabilities:	
Increase in receivables	(22,334)
Increase in inventory	(10,258)
Decrease in accounts payable	(684,748)
Increase in accrued payroll	3,802
Decrease in due to retirement systems	(88,382)
Decrease in self-insured employee health plan claims	(51,419)
Decrease in self-insured workers' compensation claims	(145,398)
Increase in other postemployment benefits	1,161,734
Increase in compensated absences	44,764
	1,243,317
Net cash provided by operating activities	\$ 1,243,317

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Restricted cash	\$ 165,329	\$ 268,666
Due from other funds	-	95,801
	<u>165,329</u>	<u>364,467</u>
Total assets		
LIABILITIES		
Due to other funds	1,000	-
Other liabilities	250	364,467
	<u>1,250</u>	<u>364,467</u>
Total liabilities		
NET POSITION		
Held in trust for scholarships	<u>\$ 164,079</u>	

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 25,750
Investment income	18,653
Total additions	<u>44,403</u>
 DEDUCTIONS	
Scholarships and awards	<u>10,750</u>
Total deductions	<u>10,750</u>
Change in net position	33,653
Net position - beginning of year	<u>130,426</u>
Net position - end of year	<u><u>\$ 164,079</u></u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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.

A. Financial Reporting Entity

The District is governed by the Education Law and other laws of the State of New York (the “State”). The governing body is the Board of Education. The scope of activities included within the accompanying basic financial statements are those transactions which comprise school district operations, and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the district is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, functions and organizations over which the District Officials exercise oversight responsibility.

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

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

A. Financial Reporting Entity (Cont'd)

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

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities and Changes in Net Position present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. 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 and Changes in Net Position 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.

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:

Permanent Fund

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

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.

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, the JSCB Fund and the Capital Projects Fund.

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

Private Purpose Trusts Fund

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

Agency Fund

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

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. As of July 1, 2012, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the fiscal year. This change provides for recognition of revenue received pursuant to Chapter 57 of the laws of 2012, which allows school districts to accrue a portion of subsequent year state aid into the current fiscal year. This policy change resulted in an increase in General Fund Governmental Activities revenue of \$17,416,382 in the current year.

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

D. Revenue, Expenditures and Expenses

Property Taxes

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

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

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

Intergovernmental Revenues - Grants

Except for the proprietary fund, revenues and expenditures from federal and state grants are typically recorded in the General Fund and Special Aid Fund. 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.

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.

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 Position 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, cash held by fiscal agents, and short-term investments with original maturities of three months or less from date of acquisition.

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

(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 at commercial banks not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

F. Restricted Assets

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds from bond sales can only be used for the stated purpose of the borrowing. Donations to be used toward scholarships in the Private Purpose Trusts Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes. Net position restricted for other purposes includes 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 ninety 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.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

H. Inventory and Prepaid Items

Inventories of food and/or supplies in the School Food Service Fund are recorded at cost on a first-in, first-out basis or, in the case of 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 position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

I. Capital Assets (fixed assets)

Capital assets, which include land and land improvements, buildings and improvements, furniture and equipment and vehicles as well as intangibles such as software, are reported in the 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.

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 position. 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 position and displayed in three components:

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

Restricted net position includes the following:

Special Aid Fund	\$ 85,017
Permanent Fund	16,962
Capital Projects Fund	3,148,038
JSCB Fund	16,390,986
Debt service	<u>2,090,183</u>
Total restricted net position	<u>\$ 21,731,186</u>

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

(Continued)

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

M. Equity Classifications (Cont'd)

Fund Statements

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 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 governmental fund's net resources. Constraints are broken down into five different classifications: non-spendable, restricted, committed, assigned and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent. In the fund basis statements, there are five classifications of fund balance:

- a. Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory and prepaid expenses recorded in the General Fund of \$3,927,223.
- 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.
- 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 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 \$5,028,909. Appropriated fund balance designated during the budgetary process for use to fund operating expenditures in the next fiscal year is also included in Assigned Fund Balance. The District appropriated \$8,000,000 of fund balance to be used to fund fiscal year 2013-2014 operating expenditures.

(Continued)

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

M. Equity Classifications (Cont'd)

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

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities and useful lives of long-lived assets.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

P. New Accounting Standards

As of July 1, 2012, the District adopted the provision of GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity by requiring that a financial benefit or burden relationship also be present between the primary government and the potential component unit. The implementation of this guidance did not have a significant effect on the District's financial statements as the District will continue to be considered a blended component unit of the City.

As of July 1, 2012, the District adopted the provision of GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountant Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. In addition, GASB Statement No. 62 eliminated the election to apply post-November 30, 1989 FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. The implementation of this guidance did not have a significant effect on the District's financial statements.

As of July 1, 2012, the District adopted the provisions of GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB 34 by incorporating deferred inflows of resources and deferred outflows of resources and by renaming the measure as net position, rather than net assets.

2. BUDGETS AND BUDGETARY ACCOUNTING

Budget Policies

- a. The District administration prepares a proposed budget for approval by the Board of Education and the City for the following governmental 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.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2. BUDGETS AND BUDGETARY ACCOUNTING (CONT'D)

Budget Policies (Cont'd)

- 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 Aid 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 and Actual reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

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 schedule summarizes interfund transactions during the year ended June 30, 2013 and balances at June 30, 2013:

	<u>Amount</u> <u>Receivable</u>	<u>Amount</u> <u>Payable</u>
General Fund	\$ 10,620,770	\$ -
Special Aid Fund	-	12,511,822
Joint Schools Construction Board	-	655,716
Capital Projects Fund	2,451,967	-
Private Purpose Trusts Fund	-	1,000
Agency Fund	95,801	-
Total	<u>\$ 13,168,538</u>	<u>\$ 13,168,538</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. INTERFUND TRANSACTIONS (CONT'D)

	Transfers In	Transfers Out
General Fund	\$ 1,409,954	\$ 29,326,675
Special Aid Fund	7,019,820	1,409,954
JSCB Fund	8,214,122	10,540,356
Capital Projects Fund	3,214,153	183,950
Debt Service Fund	<u>21,602,886</u>	<u>-</u>
Total	<u>\$ 41,460,935</u>	<u>\$ 41,460,935</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Disposals/ Transfers	Balance at June 30, 2013
Governmental Activities				
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	5,220,814	-	-	5,220,814
Buildings and improvements	305,445,441	2,548,260	-	307,993,701
Furniture and equipment	20,528,360	185,292	(2,416,112)	18,297,540
Vehicles	4,135,432	71,579	(112,936)	4,094,075
Computer Software	6,336,007	66,700	(27,371)	6,375,336
Construction in progress (not depreciable)	<u>58,348,241</u>	<u>53,333,191</u>	<u>(2,532,765)</u>	<u>109,148,667</u>
Total capital assets	<u>401,494,620</u>	<u>56,205,022</u>	<u>(5,089,184)</u>	<u>452,610,458</u>
Less accumulated depreciation/amortization:				
Land improvements	(5,176,030)	(10,209)	-	(5,186,239)
Buildings and improvements	(182,940,750)	(4,248,193)	-	(187,188,943)
Furniture and equipment	(17,627,983)	(839,356)	2,399,522	(16,067,817)
Vehicles	(3,348,898)	(267,615)	112,936	(3,503,577)
Software	<u>(1,918,036)</u>	<u>(642,282)</u>	<u>27,371</u>	<u>(2,532,947)</u>
Total accumulated depreciation/ amortization	<u>(211,011,697)</u>	<u>(6,007,655)</u>	<u>2,539,829</u>	<u>(214,479,523)</u>
Governmental activities capital assets, net	<u>\$ 190,482,923</u>	<u>\$ 50,197,367</u>	<u>\$ (2,549,355)</u>	<u>\$ 238,130,935</u>
Business-Type Activities				
Furniture and equipment	\$ 1,874,675	\$ -	\$ (126,602)	\$ 1,748,073
Less accumulated depreciation	<u>(1,840,090)</u>	<u>(27,410)</u>	<u>126,602</u>	<u>(1,740,898)</u>
Business-type activities capital assets, net	<u>\$ 34,585</u>	<u>\$ (27,410)</u>	<u>\$ -</u>	<u>\$ 7,175</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 4,909,379
Support Service:	
General	763,682
Pupil Transportation	<u>334,594</u>
Depreciation/Amortization expense	6,007,655
Business-type Activities:	
School Food Service	<u>27,410</u>
Total depreciation/amortization expense	<u>\$ 6,035,065</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.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL INDEBTEDNESS (CONT'D)

Long-term liability activity for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amount due in one year
Governmental Activities:					
Bonds and notes payable:					
Bonds payable	\$ 198,008,371	\$ -	\$ 12,708,559	\$ 185,299,812	\$ 13,985,551
Premium on bonds payable	<u>5,222,355</u>	<u>-</u>	<u>315,041</u>	<u>4,907,314</u>	<u>315,041</u>
Total bonds and premiums payable	<u>203,230,726</u>	<u>-</u>	<u>13,023,600</u>	<u>190,207,126</u>	<u>14,300,592</u>
Other Liabilities:					
Compensated absences payable	13,009,506	7,788,064	7,894,472	12,903,098	6,857,969
Other postemployment benefits	264,516,631	63,707,147	-	328,223,778	-
Due to retirement systems	22,284,750	24,317,084	25,485,443	21,116,391	21,116,391
Self-insured health plan claims	2,907,687	57,133,628	59,512,206	529,109	529,109
Self-insured workers' compensation claims	37,868,535	3,291,330	5,518,863	35,641,002	5,180,151
Judgments and claims payable	500,000	-	-	500,000	-
Environmental remediation	14,998,356	1,188,760	-	16,187,116	-
Lottery aid payable	<u>24,133,333</u>	<u>-</u>	<u>1,016,666</u>	<u>23,116,667</u>	<u>1,016,667</u>
Total other liabilities	<u>380,218,798</u>	<u>157,426,013</u>	<u>99,427,650</u>	<u>438,217,161</u>	<u>34,700,287</u>
Governmental activities					
Long-term liabilities	<u>\$ 583,449,524</u>	<u>\$ 157,426,013</u>	<u>\$ 112,451,250</u>	<u>\$ 628,424,287</u>	<u>\$ 49,000,879</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 July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amount due in one year
Business-Type Activities:					
Compensated absences payable	\$ 134,748	\$ 264,783	\$ 220,019	\$ 179,512	\$ 179,512
Other postemployment benefits	4,382,820	1,161,734	-	5,544,554	-
Due to retirement systems	473,451	376,359	464,741	385,069	385,069
Self-insured health plan claims	61,068	1,033,818	1,085,237	9,649	9,649
Self-insured workers' comp claims	<u>795,331</u>	<u>-</u>	<u>145,398</u>	<u>649,933</u>	<u>94,463</u>
Business-type activities					
Long-term liabilities	<u>\$ 5,847,418</u>	<u>\$ 2,836,694</u>	<u>\$ 1,915,395</u>	<u>\$ 6,768,717</u>	<u>\$ 668,693</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

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 to cover an expected cash flow shortage due to the timing of cash receipts from all sources. 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, 2013:

	Balance at July 1, 2012	Issued	Redeemed	Balance at June 30, 2013
Revenue Anticipation Notes	\$ -	\$ 76,000,000	\$ 76,000,000	\$ -

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL INDEBTEDNESS (CONT'D)

General Obligation Bonds Payable

General obligation bonds payable included in the accompanying statement of net position represent obligations issued in the name of the City for District purposes and the City of Syracuse Industrial Development Agency for JSCB purposes. These long-term liabilities are full faith and credit debt of the District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the District. Bonds outstanding at June 30, 2013 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2013</u>
May 27, 2004	2014	3.250-5.000	\$ 900,000
October 15, 2004	2015	4.000-4.750	321,229
July 28, 2005	2015	3.000-3.500	2,025,312
June 13, 2012	2017	2.000-3.000	700,000
May 8, 2003	2019	3.000-5.000	3,290,000
July 28, 2005	2019	2.625-5.000	504,404
September 30, 2010	2019	2.000-4.000	8,460,000
July 28, 2005	2021	3.000-5.000	6,405,000
June 3, 2009	2022	4.000-5.000	397,090
September 30, 2010	2022	2.000-4.000	7,850,000
June 13, 2012	2022	2.000-5.000	800,000
June 15, 2010	2023	2.500-5.000	431,777
June 15, 2008	2024	3.250-5.000	10,500,000
October 15, 2004	2025	3.750-4.250	8,900,000
June 15, 2005	2026	4.000-5.000	3,430,000
November 1, 2005	2027	4.000-5.000	5,525,000
December 23, 2010	2027	3.000-6.000	29,920,000
July 12, 2011	2027	5.428	15,000,000
July 12, 2011	2028	3.000-5.000	30,720,000
June 1, 2007	2030	4.000-5.000	7,850,000
March 12, 2008	2030	3.000-5.250	<u>41,370,000</u>
	Totals		<u>\$185,299,812</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL INDEBTEDNESS (CONT'D)

General Obligation Bonds Payable (Cont'd)

The District did not issue general obligation bonds in the fiscal year ended June 30, 2013. General obligation bonds payable as of June 30, 2013 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 13,985,551	\$ 8,379,114	\$ 22,364,665
2015	13,607,605	7,807,868	21,415,473
2016	12,800,251	7,261,785	20,062,036
2017	13,345,660	6,693,116	20,038,776
2018	13,720,185	6,095,268	19,815,453
2019-2023	65,765,560	21,300,018	87,065,578
2024-2028	49,790,000	8,153,325	57,943,325
2029-2030	<u>2,285,000</u>	<u>128,525</u>	<u>2,413,525</u>
Totals	<u>\$ 185,299,812</u>	<u>\$ 65,819,019</u>	<u>\$ 251,118,831</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, 2013 were approximately \$854,000. The minimum future non-cancelable operating lease payments as of June 30, 2013 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 721,607
2015	360,836
2016	280,341
2017	186,183
2018	<u>83,873</u>
Total	<u>\$ 1,632,840</u>

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 governs obligations of employers and employees to contributions and distribute 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 11.84%, 11.11% and 8.62% for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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>
2013	\$ 6,769,452	\$ 19,677,719
2012	\$ 6,989,809	\$ 21,252,794
2011	\$ 5,686,520	\$ 15,539,793

8. OTHER POSTEMPLOYMENT BENEFITS

GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (“OPEB”) requires 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.

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, 2013

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, 2013, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.7 million, amounted to approximately \$21.5 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, 2013, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 91,116,078
Interest on Net OPEB Obligations	10,755,978
Adjustment to Annual Required Contribution	<u>(15,550,482)</u>
Annual OPEB Cost	86,321,574
Contributions Made	<u>(21,452,693)</u>
Increase in Net OPEB Obligation	64,868,881
Net OPEB Obligation - Beginning of Year	<u>268,899,451</u>
Net OPEB Obligation - End of Year	<u><u>\$ 333,768,332</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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, 2011	\$ 72,801,036	22.38%	\$ 207,859,607
June 30, 2012	\$ 82,403,445	25.93%	\$ 268,899,451
June 30, 2013	\$ 86,321,574	24.85%	\$ 333,768,332

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$897 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$197 million, and the ratio of the liability to the annual covered payroll was 454%.

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, 2013 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 8.00% initially, decreasing to 5.00% after ten years for Pre-65 individuals and 7.00% initially, decreasing to 5.00% for Post-65 individuals after ten years. The prescription cost trend begins at 7.00% initially and decreases to 5.00% after ten 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, 2013 was 30 years.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

9. JOINT SCHOOLS CONSTRUCTION BOARD

The City and the District entered into an agreement in April 2004 to create the Joint Schools Construction Board (“JSCB”). The JSCB manages and administers the design, renovation and financing for existing public schools in the District. 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 New York State Legislature and signed into law by the Governor in 2006. The Act authorizes the 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.

In May 2013, the Legislature approved an amended version of the Syracuse Cooperative School Reconstruction Act that authorizes a second phase of up to twenty school reconstruction projects for an amount not to exceed \$300,000,000. Specific schools to be renovated are not named in the legislation. Rather, projects are to be recommended as part of a comprehensive planning process to be undertaken by the District. The comprehensive plan would include information on financing, project selection, cost estimates, timeframe, and a diversity plan. The plan would consider public input and would be provided to the JSCB and the State Comptroller for approval. The legislation also specifically authorizes the use of Bond Anticipation Notes (“BANs”) issued by the City of Syracuse to finance initial design and planning costs for JSCB projects. The JSCB Phase II bill was signed into law by the Governor in October 2013.

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.

(Continued)

9. JOINT SCHOOLS CONSTRUCTION BOARD (CONT'D)

Financing of JSCB (Cont'd)

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 District 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 District 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 receipt 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 District 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.

The obligation of the District and the City under the Installment Sale Agreement to pay installment purchase payments is not a general obligation of the District 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 District and the City under the Installment Sale Agreement to pay installment purchase payments in any fiscal year of the District or the City constitutes a current expense of the District for such fiscal year and shall not constitute an indebtedness or moral obligation of the District, 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 District and the City under the Installment Sale Agreement to the extent of State Aid to Education appropriated by the State and available to the District and/or the City and appropriated by the City and the District 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 District 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 a year of issuance, the proceeds of the bonds are deposited in accordance with the respective Indenture Trust Agreement between the Issuer and M&T Bank and the bond proceeds are recorded as other financing sources within the fund financial statements. The related liabilities are recorded within the government-wide financial statements of the District. Projects costs and debt service payments are recorded as expenditures of the District.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

10. ENVIRONMENTAL REMEDIATION

Asbestos remediation obligations have been recognized at June 30, 2013. The estimated liability at June 30, 2013 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.

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, 2013.

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, 2013.

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.

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. TERMINATION BENEFITS OBLIGATED DURING THE YEAR

During the year ended June 30, 2013, the cost of termination benefits was \$1,272,164 for the employees who agreed to retire under the terms of the retirement incentive offered during the current year.

14. SUBSEQUENT EVENTS

On August 21, 2013, the District issued \$53,800,000 in Revenue Anticipation Notes at 0.67% maturing on June 30, 2014 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 15, 2013.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund						
	Budgeted Amounts		Actual	Less: Prior Year	Add:	Total Current Year Budgetary Basis	Budget Variance Favorable (Unfavorable)
	Original	Final		Encumbrance	Current Year Encumbrances		
REVENUES							
General property taxes	\$ 57,420,000	\$ 57,420,000	\$ 57,321,520	\$ -	\$ -	\$ 57,321,520	\$ (98,480)
Nonproperty taxes	1,000,000	1,000,000	1,244,984	-	-	1,244,984	244,984
Charges for services	125,000	125,000	253,658	-	-	253,658	128,658
Use of money and property	531,000	531,000	414,299	-	-	414,299	(116,701)
Sale of property and compensation for loss	27,100	27,100	30,564	-	-	30,564	3,464
Miscellaneous	1,590,000	1,590,000	348,920	-	-	348,920	(1,241,080)
State and local sources	295,698,475	295,698,475	293,448,495	-	-	293,448,495	(2,249,980)
Federal sources	1,500,000	1,500,000	2,644,090	-	-	2,644,090	1,144,090
Total revenues	357,891,575	357,891,575	355,706,530	-	-	355,706,530	(2,185,045)
OTHER SOURCES							
Operating transfers in	1,500,000	1,500,000	1,409,954	-	-	1,409,954	(90,046)
Total revenues and other sources	359,391,575	359,391,575	357,116,484	-	-	357,116,484	(2,275,091)
EXPENDITURES AND ENCUMBRANCES							
General government support	51,217,177	50,965,177	47,718,534	(1,155,263)	2,761,538	49,324,809	1,640,368
Instruction	257,188,100	255,475,100	242,360,422	(502,891)	1,398,697	243,256,228	12,218,872
Pupil transportation	22,204,392	22,204,392	20,603,944	1,407	868,674	21,474,025	730,367
Community services	-	-	-	-	-	-	-
Interest	1,125,000	1,125,000	525,350	-	-	525,350	599,650
Total expenditures and encumbrances	331,734,669	329,769,669	311,208,250	(1,656,747)	5,028,909	314,580,412	15,189,257
OTHER USES							
Operating transfers out	27,656,906	29,621,906	29,326,675	-	-	29,326,675	295,231
Total expenditures and other uses	359,391,575	359,391,575	340,534,925	(1,656,747)	5,028,909	343,907,087	15,484,488
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	\$ -	\$ -	\$ 16,581,559			\$ 13,209,397	

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2013

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
6/30/2011	\$ -	\$ 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%
6/30/2013	-	896,672,270	896,672,270	0.00%	197,343,307	454.37%

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Permanent Fund	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Pooled restricted cash and cash equivalents	\$ 16,962	\$ 813,391	\$ 2,090,183	\$ 2,920,536
Due from other funds	-	2,451,967	-	2,451,967
State and Federal aid receivables	-	40,000	-	40,000
Total assets	\$ 16,962	\$ 3,305,358	\$ 2,090,183	\$ 5,412,503
LIABILITIES				
Accounts payable	\$ -	\$ 50,866	\$ -	\$ 50,866
Accrued expenses	-	106,454	-	106,454
Total liabilities	-	157,320	-	157,320
FUND BALANCE				
Restricted/Total fund balances	16,962	3,148,038	2,090,183	5,255,183
Total liabilities and fund balances	\$ 16,962	\$ 3,305,358	\$ 2,090,183	\$ 5,412,503

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, 2013

	Permanent Fund	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Use of money and property	\$ 26	\$ -	\$ 3,052	\$ 3,078
State and local sources	-	40,000	-	40,000
Federal sources	-	1,407,786	-	1,407,786
Total revenues	<u>26</u>	<u>1,447,786</u>	<u>3,052</u>	<u>1,450,864</u>
EXPENDITURES				
Principal	-	-	12,708,559	12,708,559
Interest	-	-	8,848,590	8,848,590
Capital Outlay	-	4,446,573	-	4,446,573
Total expenditures	<u>-</u>	<u>4,446,573</u>	<u>21,557,149</u>	<u>26,003,722</u>
Excess (deficiency) of revenues over expenditures	<u>26</u>	<u>(2,998,787)</u>	<u>(21,554,097)</u>	<u>(24,552,858)</u>
OTHER FINANCING SOURCES AND USES				
Operating transfers in	-	3,214,153	21,602,886	24,817,039
Operating transfers out	-	(183,950)	-	(183,950)
Total other financing sources	<u>-</u>	<u>3,030,203</u>	<u>21,602,886</u>	<u>24,633,089</u>
Net changes in fund balances	26	31,416	48,789	80,231
Fund balances - beginning of year	<u>16,936</u>	<u>3,116,622</u>	<u>2,041,394</u>	<u>5,174,952</u>
Fund balances - end of year	<u>\$ 16,962</u>	<u>\$ 3,148,038</u>	<u>\$ 2,090,183</u>	<u>\$ 5,255,183</u>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Project Title	Expenditures to Date						Unexpended (Overexpended) Balance	Methods of Financing				Fund Balance June 30, 2013
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Projects Closed	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Henninger Chiller Replacements	700,000	700,000	-	521,539	-	521,539	178,461	700,000	14,000	-	714,000	192,461
Beard Masonry Repair	800,000	800,000	34,916	446,793	-	481,709	318,291	800,000	16,000	-	816,000	334,291
2009 Districtwide E-Rate	3,075,000	3,075,000	96,384	2,796,134	-	2,892,518	182,482	-	1,407,786	1,607,758	3,015,544	123,026
Network Refresh E-Rate	12,375,750	12,375,750	-	-	-	-	12,375,750	-	-	1,606,395	1,606,395	1,606,395
Corcoran Bleachers	477,300	477,300	432,345	33,063	-	465,408	11,892	-	-	477,300	477,300	11,892
Greystone Building	36,000,000	36,000,000	5,746,598	-	-	5,746,598	30,253,402	5,750,000	-	-	5,750,000	3,402
Blodgett Renovations	36,000,000	36,000,000	-	-	-	-	36,000,000	-	-	500,000	500,000	500,000
Partial EXCEL Projects	1,805,000	865,000	970,248	649,044	885,863	733,429	131,571	485,000	10,000	365,000	860,000	126,571
All other various	<u>315,000</u>	<u>565,000</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>315,000</u>	<u>315,000</u>	<u>250,000</u>
TOTAL	<u>\$ 91,548,050</u>	<u>\$ 90,858,050</u>	<u>\$ 7,345,491</u>	<u>\$4,446,573</u>	<u>\$ 885,863</u>	<u>\$ 10,906,201</u>	<u>\$ 79,951,849</u>	<u>\$ 7,735,000</u>	<u>\$1,447,786</u>	<u>\$4,871,453</u>	<u>\$ 14,054,239</u>	<u>\$ 3,148,038</u>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
 SUPPLEMENTARY INFORMATION
 NET INVESTMENTS IN CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2013**

Capital assets, net		\$ 238,138,110
Add:		
Deferred loss on early retirement of debt		1,803,082
Deduct:		
Premium on bonds payable	4,907,314	
Short-term portion of bonds payable	13,985,551	
Long-term portion of bonds payable	171,314,261	
Less: unspent bond proceeds	(19,586,860)	
Less: bond proceeds not related to capital assets	(565,219)	(170,055,047)
Net investments in capital assets		\$ 69,886,145