

BASIC FINANCIAL STATEMENTS

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

JUNE 30, 2010

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and each fiduciary fund of the City School District of Syracuse, New York, component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and each fiduciary fund of the City School District of Syracuse, New York as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the City School District of Syracuse, New York changed its policy for the capitalization of fixed assets.

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The management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for postemployment benefits on pages 3 through 16 and pages 55 and 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City School District of Syracuse, New York's basic financial statements. The information contained in the supplemental information section as listed in the Table of Contents on pages 57 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2011 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sestone, Marshall; Discenza

January 12, 2011
Syracuse, New York

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

The purpose of the discussion and analysis of the Syracuse City School District's (the "District") financial performance is to provide the reader with an overall review of the District's financial activities for the year ended June 30, 2010. 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 \$388.7 million, of which it received \$274.9 million from state and federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The District's combined net assets for all activities decreased by \$51.6 million as a result of this year's operations.
- At June 30, 2010, combined net assets for all activities were a deficiency of \$138.1 million which includes net other postemployment benefits obligations of \$151.4 million.
- At June 30, 2010, combined capital assets, net of depreciation were \$149.5 million.
- The combined depreciation expense for all activities was \$9.9 million.
- The total long-term general obligation bonds payable, as of June 30, 2010, were \$138.2 million, a decrease of \$11.3 million from the prior year.

Fund Financial Statement Overview

- The total revenue for all governmental funds was \$414.5 million which was an increase of \$12.9 million or 3.2% over the 2008-2009 year.
- The final General Fund budget of \$352.5 million was an increase of \$2.3 million or 0.7% over the 2008-2009 year.
- General Fund revenues of \$341.3 million were a decrease of \$1.0 million or 0.3% over the 2008-2009 year.
- General Fund expenditures of \$334.4 million were an increase of \$3.2 million or 1.0% over the 2008-2009 year.
- The General Fund's fund balance increased by \$6.8 million from \$31.8 million to \$38.6 million due to an excess of revenues over expenditures.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

USING THIS ANNUAL REPORT

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

- Government-wide financial statements, that include the Statement of Net Assets and the Statement of Activities. These statements provide both short-term and long-term information about the activities of the District as a whole.
- Fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- The governmental fund financial statements show how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of those outside the District.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements including a comparison of the District's General Fund budget to actual for the year.

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

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

Government-wide Financial Statements

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

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

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

In the Government-wide Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

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

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

Fund Financial Statements

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

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

The District has three types of funds:

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

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

In Table 2, total governmental assets increased by approximately 5.9%. The increase is primarily due to the increase in receivables from Federal and State agencies. The District received significant funding through the American Recovery and Reinvestment Act (ARRA). These grants require expenditure of the monies before reimbursement can be received and the completion of extensive claiming procedures for reimbursement which results in a significant delay in payment reimbursement and creates a related receivable at year-end for the outstanding reimbursements. Grants received through ARRA are further detailed on page 9. The increase is also due to the additional cash reserves on hand at year-end from the issuance of a revenue anticipation note discussed further below.

Total liabilities increased by approximately 18.1%. The increase is mainly attributable to the annually increasing liability for other postemployment benefits that rose \$45.7 (allocated as \$45 million governmental and \$0.7 million business-type) million this year and the issuance of a \$33.8 million revenue anticipation note on June 29, 2010 to prevent the anticipated cash flow shortage that would have been caused by the expected delay in state aid payment receipts.

The District's combined governmental net assets decreased approximately \$51.6 million or 60.6%. At June 30, 2010, the total liabilities exceeded the total assets by \$136.8 million (net assets).

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

	Governmental Activities		Percentage
	2009	2010	Change
Current and Other Assets	\$ 139,770	\$ 164,982	18.0%
Capital Assets	157,056	149,370	-4.9%
Total Assets	296,826	314,352	5.9%
Long-Term Debt - Due in One Year	11,811	10,866	-8.0%
Long-Term Debt - Due in More Than One Year	137,670	127,303	-7.5%
Other Liabilities	232,525	312,996	34.6%
Total Liabilities	382,006	451,165	18.1%
Net Assets			
Invested in Capital Assets, Net of Related Debt	60,878	54,162	-11.0%
Restricted for JSCB Projects	44,570	36,202	-18.8%
Unrestricted	(190,628)	(227,177)	-19.2%
Total Net Assets	\$ (85,180)	\$ (136,813)	-60.6%

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

In Table 3, the District's total revenues from governmental activities increased slightly by 1.6% or \$6.3 million. The total cost of all governmental programs and services increased by 9.5% or \$40.1 million.

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

	Governmental Activities		Percentage
	2009	2010	Change
Revenues			
Program Revenues:			
Charges for Services	\$ 100	\$ 161	60.7%
Operating Grants and Contributions	59,964	74,237	23.8%
General Revenues:			
Property Taxes and Other Taxes	60,087	60,336	0.4%
State and Local Sources	278,891	256,939	-7.9%
Federal Sources	3,817	17,980	371.1%
Use of Money and Property	2,181	1,104	-49.4%
Miscellaneous	94	676	619.2%
Total Revenues	405,134	411,433	1.6%
Expenses			
General Support	53,390	59,727	11.9%
Instruction	347,151	371,891	7.1%
Pupil Transportation	18,731	20,903	11.6%
Community Service	1,358	2,698	98.7%
Interest	2,383	7,847	229.3%
Total Expenses	423,013	463,066	9.5%
Decrease in Net Assets	\$ (17,879)	\$ (51,633)	-188.8%

These changes are due to the following factors:

While total revenues increased only slightly, there was a notable shift from state sourced to federally sourced revenues. Program Revenue from operating grants and contributions increased by \$14.3 million. The District received additional grants of \$8.4 million from the federal American Recovery and Reinvestment Act (ARRA) stimulus monies mainly restricted for special education under Section 611 and assisting students in meeting the challenging State academic achievement standards under Title I. The District also received an additional \$2.2 million in federal funds restricted for use in improving teacher quality under Title II.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

General Revenues from state and local sources decreased by \$22.0 million while revenue from federal sources increased by \$14.2 million in the current year. Due to the revenue shortfalls in New York State, the State reduced education funding and utilized some of its share of the federal American Recovery and Reinvestment Act (ARRA) stimulus monies to fund a portion of the State's General Aid obligations to school districts. Under this plan, the District received \$13.0 million in restricted use ARRA funds in lieu of \$13.0 million in unrestricted General State Aid.

Total expenses increased due to several factors. General Support, Instruction and Pupil Transportation expenses were all impacted by the 4% average contractually required annual salary increases. There were significant increases in some long term liabilities with increased expenses of \$6.1 million for long term other postemployment benefits and workers compensation liabilities. The District also recognized expenses of \$6.4 million for the disposal and deletion of capital assets due to the increase in the capitalization threshold.

In Table 4, total assets of the business-type activities increased by 65.2% or \$1.0 million. The School Lunch Fund had a net operating income of \$0.4 million compared to a net operating loss of \$0.3 million in the prior year resulting in better cash flow and more cash on hand at year end.

The total liabilities increased by 21.3% or \$0.7 million due to the additional current year liability for the cost of other postemployment benefits of \$0.7 million.

The net assets of the business-type activities increased approximately \$0.4 million due to current year operating income. Refer to the subsequent page for more information on current year operating results.

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

	Business-Type Activities		Percentage
	2009	2010	Change
Current and Other Assets	\$ 1,259	\$ 2,369	88.2%
Capital Assets	230	90	-60.9%
Total Assets	1,489	2,459	65.1%
Other Liabilities	3,064	3,715	21.3%
Total Liabilities	3,064	3,715	21.3%
Net Assets			
Invested in Capital Assets, Net of Related Debt	230	90	-60.9%
Unrestricted	(1,805)	(1,346)	25.4%
Total Net Assets	\$ (1,575)	\$ (1,256)	20.2%

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

In Table 5, the business-type activities revenues increased 8.0% or \$0.75 million due primarily to the expansion of the federally reimbursed summer feeding program and breakfast program for the Say Yes to Education summer program. The Food Service Program served over 192,000 meals during the summer program compared to 139,000 in the prior year resulting in \$0.4 million more in revenue.

The total cost of all business-type activities services remained stable.

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

	Business-Type Activities 2009	2010	Percentage Change
Revenues			
Program Revenues:			
Charges for Services	\$ 729	\$ 649	-11.0%
Operating Grants and Contributions	8,576	9,404	9.7%
Total Revenues	<u>9,305</u>	<u>10,053</u>	8.0%
Expenses			
Food Service	9,602	9,629	0.3%
Total Expenses	<u>9,602</u>	<u>9,629</u>	0.3%
Increase (Decrease) in Net Assets	<u>\$ (297)</u>	<u>\$ 424</u>	242.8%

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2010, the District's governmental funds reported a combined fund balance of \$81.4 million, which is a decrease of \$4.6 million from the prior year combined fund balance of \$86.0 million. The fund balance represents the accumulated results of the current and all previous years' operations.

The total fund balance is segregated into reserved and unreserved amounts. Reserved amounts are reported separately to show legal constraints arising from outstanding liabilities, debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. As a measure of each fund's liquidity, it may be useful to compare both its unreserved fund balance and total fund balance to total fund expenditures.

General Fund

The General Fund's fund balance at June 30, 2010, is \$38.6 million, which is an increase of \$6.8 million from the prior year fund balance of \$31.8 million. Of the balance at June 30, 2010, \$28.5 million was unreserved, including \$1.0 million designated for the use of technology. The unreserved fund balance represents 8.5% of the total current year General Fund expenditures, while total fund balance represents 11.5% of that same amount.

JSCB

At June 30, 2010, the Joint Schools Construction Board (JSCB) Fund reported a fund balance of \$36.2 million, which is a decrease of \$8.4 million from the prior year fund balance of \$44.6 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 \$15.2 million less than the final budget amount. The most significant positive variances were noted in the areas of contract services of \$7.2 million and benefits of \$6.4 million. Energy expenditures were \$2.2 million less than budget with favorable usage and pricing variances. Transportation expenditures were \$1.9 million less than budget as the contract rates determined by the Consumer Pricing Index (CPI) change did not increase as budgeted. Medical claims expenditures were \$5.3 million less with the increase in claim volume and cost lower than anticipated.

On the other hand, resources available for appropriation (revenues) were \$2.8 million under the final budgeted amount. This results primarily from reductions in State Aid.

The District's original General Fund budget of \$353.5 million differs from the General Fund's revised final budget of \$352.5 million by \$1.0 million. The original budget included a request to the City for \$1.0 million for Say Yes to Education (SYTE) and \$1.7 million for JSCB debt service payments which was not approved. The final budget reduced expenditures for the loss of the SYTE funds and utilized an additional \$1.7 million of fund balance reserves to cover the required JSCB debt service payments.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS

At June 30, 2010, the District had \$149.5 million, net of depreciation and amortization, invested in a broad range of capital assets, including land, buildings, athletic facilities, vehicles, software and other equipment for governmental activities. This amount represents a net decrease of \$1.3 million or 0.9% from last year. This is due to current year depreciation and disposals exceeding additions.

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

	Governmental Activities and Business-Type Activities		Percentage Change
	2009	2010	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	342	50	-85.4%
Buildings and Improvements	79,661	83,860	5.3%
Furniture and Equipment	10,267	8,955	-12.8%
Vehicles	1,354	1,224	-9.6%
Software	1,003	4,763	374.9%
Construction in Progress	56,651	49,127	-13.3%
Total	<u>\$ 150,758</u>	<u>\$ 149,459</u>	-0.9%

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

DEBT ADMINISTRATION

At June 30, 2010, the District had \$172.0 million of bonds and notes payable outstanding compared to \$149.5 million last year, an increase of \$22.5 million or 15.1%. The District refinanced a \$33.8 million revenue anticipation note in June to cover the anticipated cash flow shortfall due to the expected delay in state aid payments at year end. Also during the current year, the District issued a general obligation bond for \$500,000 to finance the purchase of new vehicles. As the District continues renovating aging facilities, it is anticipated debt will increase. These increases were offset by current year principal payments of \$11.8 million.

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

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

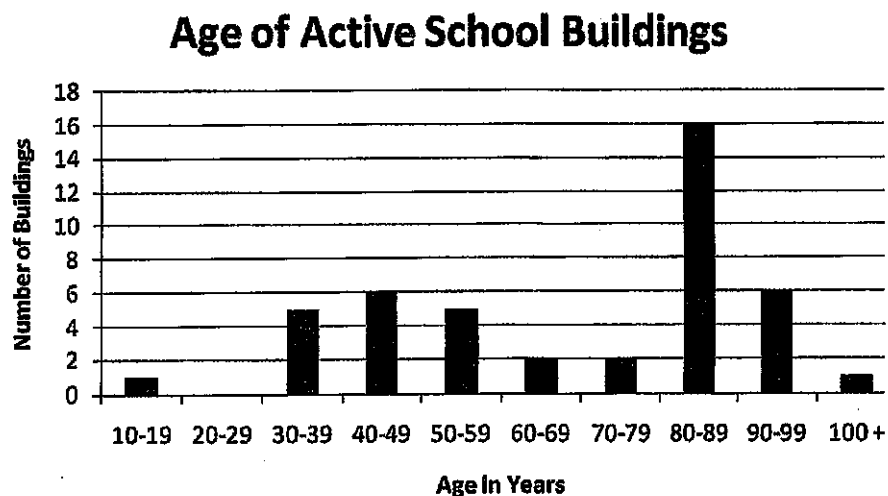
CHALLENGES FACING THE DISTRICT

As a dependent school district without the authority to raise taxes or issue debt, the District is directly affected by local and State economic conditions. Like many urban based districts, the Syracuse City School District operates in an environment of decreasing 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, 2010**

CHALLENGES FACING THE DISTRICT - (CONT'D)

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

The State has authorized the total cost of this initial group of projects not to exceed \$225,000,000. However, JSCB has elected to limit the cost impact of these projects by reducing the size of the initial phase to \$140,000,000. 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. The second phase of the roof replacement projects for Clary and Bellevue Academy at Shea began just after the close of this fiscal year.

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

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

NEXT YEAR'S BUDGET

In preparing the 2010-11 operating budget, the District faced several challenges, including a reduction in State Aid, an increase in educational accountability, the underfunding of state and federal mandates, and an overall increase in the District's operating costs (e.g., salaries and wages, health care costs, retirement, insurance, utilities) which exceeds the consumer price index. State revenues are projected to decrease in the coming year. While the City of Syracuse, New York will keep the school district's portion of the property tax rate constant, the local contribution will increase slightly as a result of a slight increase in the City's property assessment.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

NEXT YEAR'S BUDGET – (CONT'D)

In order to balance the budget, the District received Federal stimulus funds, utilized more fund balance and reduced personnel by approximately 250 positions. Upon finalization of the state budget further reduction may occur mid-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
725 Harrison Street
Syracuse, New York 13210
Fax (315) 435-6321
Telephone (315) 435-4826

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 33,706,538	\$ 1,287,597	\$ 34,994,135
Receivables			
State and Federal aid	42,508,321	812,319	43,320,640
Due from other governments	5,240,754	-	5,240,754
Other	921,698	15,979	937,677
Inventories	344,998	253,798	598,796
Prepaid expenses	115,879	-	115,879
Pooled restricted cash and cash equivalents	79,575,506	-	79,575,506
Deferred charges	2,569,049	-	2,569,049
Capital assets, net of accumulated depreciation/ amortization	149,369,741	89,861	149,459,602
Total Assets	<u>\$ 314,352,484</u>	<u>\$ 2,459,554</u>	<u>\$ 316,812,038</u>
LIABILITIES			
Payables			
Accounts payable	\$ 11,824,979	\$ 478,352	\$ 12,303,331
Accrued expenses	12,753,404	1,475	12,754,879
Accrued payroll	605,674	72,511	678,185
Due to other governments	6,557,878	2,847	6,560,725
Accrued interest	1,019,264	-	1,019,264
Revenue anticipation note	33,800,000	-	33,800,000
Long-term liabilities			
Due and payable within one year			
Bonds payable	10,866,393	-	10,866,393
Due to retirement systems	13,507,214	197,069	13,704,283
Self-insured employee health plan claims	1,327,569	19,369	1,346,938
Self-insured workers' compensation claims	5,941,212	86,682	6,027,894
Compensated absences payable	9,170,355	186,608	9,356,963
Lottery aid payable	1,016,667	-	1,016,667
Due and payable in more than one year			
Bonds payable	127,303,388	-	127,303,388
Self-insured workers' compensation claims	27,535,695	401,743	27,937,438
Environmental remediation	13,202,110	-	13,202,110
Other postemployment benefits	149,083,521	2,268,611	151,352,132
Judgments and claims payable	500,000	-	500,000
Lottery aid payable	25,150,000	-	25,150,000
Total Liabilities	<u>451,165,323</u>	<u>3,715,267</u>	<u>454,880,590</u>
NET ASSETS (DEFICIT)			
Investment in capital assets, net of related debt	54,161,803	89,861	54,251,664
Restricted for JSCB projects	36,202,271	-	36,202,271
Unrestricted	<u>(227,176,913)</u>	<u>(1,345,574)</u>	<u>(228,522,487)</u>
Total Net Assets (Deficit)	<u>(136,812,839)</u>	<u>(1,255,713)</u>	<u>(138,068,552)</u>
Total Liabilities and Net Assets	<u>\$ 314,352,484</u>	<u>\$ 2,459,554</u>	<u>\$ 316,812,038</u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES					
General support	\$ 59,726,427	\$ -	\$ 456,733	\$ (59,269,694)	\$ -
Instruction	371,891,215	160,723	71,141,738	(300,588,754)	-
Pupil transportation	20,903,401	-	299,144	(20,604,257)	-
Community service	2,697,982	-	2,339,373	(358,609)	-
Interest	7,847,018	-	-	(7,847,018)	-
Total Governmental Activities	463,066,043	160,723	74,236,988	(388,668,332)	-
BUSINESS-TYPE ACTIVITIES					
Food Service	9,628,583	648,703	9,403,802	-	423,922
Total Business-Type Activities	9,628,583	648,703	9,403,802	-	423,922
Totals	\$ 472,694,626	\$ 809,426	\$ 83,640,790	(388,668,332)	423,922
GENERAL REVENUES					
General property taxes				56,036,474	-
Nonproperty taxes				4,299,493	-
Use of money and property				1,104,087	154
Sale of property and compensation for loss				357,233	-
Miscellaneous				318,824	-
State and local sources				256,939,173	-
Federal sources				17,980,299	-
Total General Revenues				337,035,583	154
Change in Net Assets				(51,632,749)	424,076
Total Net Assets (Deficit) - Beginning of year (as restated)				(85,180,090)	(1,679,789)
Total Net Assets (Deficit) - End of year				\$ (136,812,839)	\$ (1,255,713)

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Special Aid	Capital Projects	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
ASSETS						
Cash						
Pooled cash and cash equivalents	\$ 31,038,831	\$ -	\$ 2,667,707	\$ -	\$ -	\$ 33,706,538
Pooled restricted cash and cash equivalents	35,487,670	-	1,823,341	36,869,720	5,394,775	79,375,506
Receivables						
Due from other funds	29,997,714	-	-	535,813	-	30,533,527
State and Federal aid	10,398,607	31,902,104	-	-	-	42,300,711
Due from other governments	5,054,497	-	-	-	-	5,054,497
Other	772,478	173,770	-	-	-	946,248
Inventory	344,998	-	-	-	-	344,998
Prepaid expenses	115,879	-	-	-	-	115,879
Total assets	\$ 113,210,674	\$ 32,075,874	\$ 4,491,048	\$ 37,405,533	\$ 5,394,775	\$ 192,577,904
LIABILITIES						
Payables						
Accounts payable	\$ 9,439,718	\$ 2,363,145	\$ 22,116	\$ -	\$ -	\$ 11,824,979
Accrued expenses	11,295,861	111,397	142,884	1,203,262	-	12,753,404
Accrued payroll	443,707	161,967	-	-	-	605,674
Due to other governments	4,543,883	2,013,993	-	-	-	6,557,878
Due to other funds	-	27,425,372	3,132,705	-	-	30,558,077
Notes Payable						
Revenue anticipation note	33,800,000	-	-	-	-	33,800,000
Long-term liabilities						
Due to retirement systems	13,507,214	-	-	-	-	13,507,214
Compensated absences payable	1,539,173	-	-	-	-	1,539,173
Total liabilities	74,569,558	32,075,874	3,297,705	1,203,262	-	111,146,399
FUND BALANCES						
Reserved for encumbrances	10,157,788	-	350,715	-	-	10,508,503
Reserved for debt	-	-	842,628	-	500,000	1,342,628
Reserved for JSCB projects	-	-	-	36,202,271	-	36,202,271
Reserved for permanent funds	-	-	-	-	16,886	16,886
Unreserved - Designated for technology	1,027,100	-	-	-	-	1,027,100
Unreserved - Designated for future years' use	27,456,228	-	-	-	4,877,889	32,334,117
Total fund balances	38,641,116	-	1,193,343	36,202,271	5,394,775	81,431,505
Total liabilities and fund balances	\$ 113,210,674	\$ 32,075,874	\$ 4,491,048	\$ 37,405,533	\$ 5,394,775	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	149,369,741
Deferred charges expensed as incurred in the funds	2,569,049
Receivable not received within 60 days and therefore not reported in the funds	393,867
Accrued interest not paid within 60 days and therefore not reported in the funds	(1,019,264)
Long-term liabilities, including bonds payable and postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(369,557,737)
Net assets of governmental activities	\$ (136,812,839)

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, 2010

	General	Special Aid	Capital Projects	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
REVENUES						
General property taxes	\$ 56,036,474	\$ -	\$ -	\$ -	\$ -	\$ 56,036,474
Nonproperty taxes	4,299,493	-	-	-	-	4,299,493
Charges for services	160,723	-	-	-	-	160,723
Use of money and property	1,042,800	-	-	968	60,319	1,104,087
Sale of property and compensation for loss	242,233	-	115,000	-	-	357,233
Miscellaneous	318,824	-	-	-	-	318,824
State and local sources	259,656,877	26,168,397	390,602	-	-	286,215,876
Federal sources	17,980,299	48,068,591	-	-	-	66,048,890
Total revenues	339,737,723	74,236,988	505,602	968	60,319	414,541,600
EXPENDITURES						
General support	50,393,205	469,675	-	-	-	50,862,880
Instruction	243,544,082	73,157,571	-	-	-	316,701,653
Pupil transportation	17,493,665	307,620	-	-	-	17,801,285
Community service	-	2,405,660	-	-	-	2,405,660
Debt service						
Principal	-	-	-	-	11,810,968	11,810,968
Interest	1,050,833	-	-	-	6,486,322	7,537,155
Capital outlay	-	-	4,079,243	8,368,918	-	12,448,161
Total expenditures	312,481,785	76,340,526	4,079,243	8,368,918	18,297,290	419,567,762
Excess (deficiency) of revenues over expenditures	<u>27,255,938</u>	<u>(2,103,538)</u>	<u>(3,573,641)</u>	<u>(8,367,950)</u>	<u>(18,236,971)</u>	<u>(5,026,162)</u>
OTHER FINANCING SOURCES AND USES						
Proceeds from debt	-	-	500,000	-	-	500,000
Operating transfers in	1,563,460	3,666,998	-	3,388,413	18,602,148	27,221,019
Operating transfers out	(21,964,288)	(1,563,460)	(304,858)	(3,388,413)	-	(27,221,019)
Total other sources (uses)	<u>(20,400,828)</u>	<u>2,103,538</u>	<u>195,142</u>	<u>-</u>	<u>18,602,148</u>	<u>500,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	6,855,110	-	(3,378,499)	(8,367,950)	365,177	(4,526,162)
Fund balances - beginning of year	31,786,006	-	4,571,842	44,570,221	5,029,598	85,957,667
Fund balances - end of year	<u>\$ 38,641,116</u>	<u>\$ -</u>	<u>\$ 1,193,343</u>	<u>\$ 36,202,271</u>	<u>\$ 5,394,775</u>	<u>\$ 81,431,505</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES TO FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (4,526,162)

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

Governmental Activities recognize revenue based on economic resource measurement. Fund activities utilize current financial resources. Revenues that are reported in the governmental funds that are not reported as revenue in the statement of activities. (3,108,306)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period. 2,586,924

Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 11,810,968

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (309,863)

Some expenses reported in the statement of activities, such as compensated absences and other employee benefits required the use of current financial resources and therefore are reported as expenditures in governmental funds. (57,586,310)

Proceeds from debt are another financing source in the governmental funds but a debt issue increases long-term liabilities in the statement of net assets. (500,000)

Change in Net Assets of Governmental Activities \$ (51,632,749)

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
BALANCE SHEET - PROPRIETARY FUND
JUNE 30, 2010

	School Food Service
ASSETS	
Equity in pooled cash and cash equivalents	\$ 1,287,597
State and Federal aid receivable	812,319
Other receivables	15,979
Inventories held for resale	253,798
Total current assets	<u>2,369,693</u>
Capital assets, net of accumulated depreciation	<u>89,861</u>
Total assets	<u><u>\$ 2,459,554</u></u>
LIABILITIES	
Accounts payable	\$ 478,352
Accrued expenses	1,475
Accrued payroll	72,511
Due to other governments	2,847
Due to retirement systems	197,069
Self-insured employee health plan claims	19,369
Self-insured workers' compensation claims	86,682
Compensated absences payable	186,608
Total current liabilities	<u>1,044,913</u>
Other postemployment benefits	2,268,611
Self-insured workers' compensation claims	401,743
Total non-current liabilities	<u>2,670,354</u>
Total liabilities	<u>3,715,267</u>
NET ASSETS (DEFICIT)	
Investment in capital assets, net of related debt	89,861
Unrestricted	<u>(1,345,574)</u>
Total net deficit	<u>(1,255,713)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 2,459,554</u></u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET DEFICIT -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>School Food Service</u>
OPERATING REVENUES	
Sales	\$ 648,703
State and local sources	319,819
Federal sources	8,404,552
Total operating revenues	<u>9,373,074</u>
OPERATING EXPENSES	
Salaries	3,296,724
Fringe benefits	2,190,163
Purchased services	300,805
Materials and supplies	69,911
Cost of sales	3,738,786
Depreciation	<u>32,194</u>
Total operating expenses	<u>9,628,583</u>
Operating loss	<u>(255,509)</u>
NON-OPERATING REVENUES	
Donated commodities	679,431
Interest	<u>154</u>
Total non-operating revenues	<u>679,585</u>
Change in net deficit	424,076
Net deficit - beginning of year (as restated)	<u>(1,679,789)</u>
Net deficit - end of year	<u>\$ (1,255,713)</u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 648,834
Receipts from state and local sources	277,090
Receipts from federal sources	8,294,059
Payments to suppliers	(3,519,918)
Payments to employees	(4,813,080)
	<u>886,985</u>
Net cash provided by operating activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Receipts from other governments	<u>1,729</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>154</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	888,868
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>398,729</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,287,597</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (255,509)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	32,194
Donated commodities	679,431
Loss on disposal of property	2,620
Change in assets and liabilities:	
Increase in state and federal aid receivable	(153,092)
Increase in inventory held for resale	(68,353)
Increase in accounts payable	136,940
Decrease in accrued expenses	(161,053)
Decrease in accrued payroll	(34,178)
Decrease in due to retirement system	(30,176)
Decrease in self-insured employee health plan claims payable	(13,445)
Increase in self-insured workers' compensation claims payable	43,817
Increase in other postemployment benefits payable	657,253
Increase in compensated absences payable	50,536
	<u>886,985</u>
Net cash provided by operating activities	<u><u>\$ 886,985</u></u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Restricted cash	\$ 105,705	\$ 556,703
Due from other funds	<u>-</u>	<u>25,550</u>
Total assets	<u>105,705</u>	<u>582,253</u>
LIABILITIES		
Payroll tax escrow accounts	-	201,582
Due to other funds	1,000	-
Other liabilities	<u>-</u>	<u>380,671</u>
Total liabilities	<u>1,000</u>	<u>\$ 582,253</u>
NET ASSETS		
Held in trust for scholarships	<u>104,705</u>	
Total net assets	<u>104,705</u>	
Total liabilities and net assets	<u>\$ 105,705</u>	

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 8,966
Investment income	<u>6,551</u>
Total additions	<u>15,517</u>
 DEDUCTIONS	
Scholarships and awards	<u>11,100</u>
Total deductions	<u>11,100</u>
 Change in net assets	 4,417
 Net assets - beginning of year	 <u>100,288</u>
 Net assets - end of year	 <u>\$ 104,705</u>

See Notes to Financial Statements

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City School District of Syracuse, New York (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2010, the District has applied the financial reporting requirements of GASB Statement Nos. 34, 35, 37, 38, 45, 49 and 51. The District's more significant accounting policies are described below.

A. Financial Reporting Entity

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

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

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

A. Financial Reporting Entity (Cont'd)

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

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

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

Capital Projects Fund

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

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)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

B. Basis of Presentation (Cont'd)

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

Debt Service Fund

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

Permanent Fund

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

The District reports the following fiduciary funds:

Fiduciary Funds

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

Private Purpose Trust Fund

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

Agency Fund

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

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

D. Revenue, Expenditures and Expenses

Property Taxes

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

Intergovernmental Revenues - Grants

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Operating and Non-Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-operating

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Interfund Transfers

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 3 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Restricted and Unrestricted Resources

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

E. Cash and Cash Equivalents

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

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

E. Cash and Cash Equivalents (Cont'd)

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

F. Restricted Assets

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

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. Major receivable balances for the governmental activities include grants. Business-type activities report grant-related earnings as the primary receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

H. Inventory and Prepaid Items

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of commodities, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded at cost on an average cost basis.

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

I. Capital Assets (fixed assets)

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

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

The District depreciates capital assets using the straight-line method over the estimated useful life of the asset beginning in the first year 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	20-40 years	N/A
Furniture and equipment	5-10 years	10 years
Vehicles	3-5 years	N/A
Computer software	5-10 years	N/A

(Continued)

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

J. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement employees may contractually receive a payment based on unused accumulated sick leave.

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave and vacation time is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractual provisions.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

K. Other Benefits

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. See Note 8 for further information.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

L. Long-Term Obligations

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

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

M. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

N. Economic Dependency

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

O. Use of Estimates

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

P. Future Changes in Accounting Standards

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption when required, which will be for the June 30, 2011 financial statements.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

2. BUDGETS AND BUDGETARY ACCOUNTING

Budget Policies

- a. The District administration prepares a proposed budget for approval by the Board of Education for the general governmental fund types.
- b. A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budget Basis of Accounting

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

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

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 at June 30, 2010:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General fund	\$ 29,997,714	\$ -
Special aid fund	-	27,425,372
Private purpose trusts	-	1,000
Capital projects fund	-	3,132,705
Joint schools construction board	535,813	-
Agency Fund	25,550	-
Total	<u>\$ 30,559,077</u>	<u>\$ 30,559,077</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,563,460	\$ 21,964,288
Special aid fund	3,666,998	1,563,460
Capital projects fund	-	304,858
Joint schools construction board	3,388,413	3,388,413
Debt service fund	18,602,148	-
Total	<u>\$ 27,221,019</u>	<u>\$ 27,221,019</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010:

	Restated Balance at July 1, 2009	Additions	Disposals/ Transfers	Balance at June 30, 2010
Governmental Activities				
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	5,842,812	-	-	5,842,812
Buildings and improvements	249,871,220	10,740,710	-	260,611,930
Furniture and equipment	21,589,603	977,822	(233,998)	22,333,427
Vehicles	3,642,018	471,176	(162,710)	3,950,484
Software	1,550,522	3,914,530	-	5,465,052
Construction in progress (not depreciable)	<u>56,650,646</u>	<u>4,079,243</u>	<u>(11,603,311)</u>	<u>49,126,578</u>
Total capital assets	<u>340,627,146</u>	<u>20,183,481</u>	<u>(12,000,019)</u>	<u>348,810,608</u>
Less accumulated depreciation/amortization:				
Land improvements	(5,500,476)	(292,140)	-	(5,792,616)
Buildings and improvements	(170,209,735)	(6,541,845)	-	(176,751,580)
Furniture and equipment	(11,322,897)	(2,279,150)	134,254	(13,467,793)
Vehicles	(2,288,142)	(593,050)	155,206	(2,725,986)
Software	<u>(547,840)</u>	<u>(155,052)</u>	<u>-</u>	<u>(702,892)</u>
Total accumulated depreciation/ amortization	<u>(189,869,090)</u>	<u>(9,861,237)</u>	<u>289,460</u>	<u>(199,440,867)</u>
Governmental activities capital assets, net	<u>\$150,758,056</u>	<u>\$ 10,322,244</u>	<u>\$ (11,710,559)</u>	<u>\$ 149,369,741</u>
Business-Type Activities				
Furniture and equipment	\$ 2,281,758	\$ -	\$ (110,541)	\$ 2,171,217
Less accumulated depreciation	<u>(2,157,083)</u>	<u>(32,194)</u>	<u>107,921</u>	<u>(2,081,356)</u>
Business-type activities capital assets, net	<u>\$ 124,675</u>	<u>\$ (32,194)</u>	<u>\$ (2,620)</u>	<u>\$ 89,861</u>

Effective July 1, 2009, the District adopted a policy whereby capital assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years are capitalized. Such change improves reporting to include only significant items that have initial useful lives extending beyond a single reporting period. Capital assets, net of depreciation/amortization in the government-wide financial statements as of July 1, 2009 have been decreased by \$6,297,909 and \$104,861 in the governmental and business-type activities, respectively.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	\$ 8,104,519
Support Service:	
General	1,301,286
Pupil Transportation	<u>455,432</u>
Depreciation/Amortization expense	9,861,237
Business-type Activities:	
School Food Service	<u>32,194</u>
Total depreciation/amortization expense	<u>\$ 9,893,431</u>

5. CAPITAL INDEBTEDNESS

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

5. CAPITAL INDEBTEDNESS (CONT'D)

Long-term liability activity for the year ended June 30, 2010:

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amount due in one year
Governmental Activities:					
Bonds and notes payable:					
Bonds payable	\$ 149,480,749	\$ 500,000	\$ 11,810,968	\$ 138,169,781	\$ 10,866,393
Revenue anticipation notes payable	-	98,800,000	65,000,000	33,800,000	33,800,000
Total bonds and notes payable	149,480,749	99,300,000	76,810,968	171,969,781	44,666,393
Other Liabilities:					
Compensated absences payable	8,680,795	10,407,757	9,918,197	9,170,355	9,170,355
Other postemployment benefits	104,035,097	45,048,424	-	149,083,521	-
Due to retirement systems	15,306,550	12,467,364	14,266,700	13,507,214	13,507,214
Self-insured health plan claims	2,210,231	54,859,137	55,741,799	1,327,569	1,327,569
Self-insured workers' comp claims	29,947,510	8,845,582	5,316,185	33,476,907	5,941,212
Judgments and claims payable	500,000	-	-	500,000	-
Environmental remediation	12,555,999	646,111	-	13,202,110	-
Lottery aid payable	27,183,333	-	1,016,666	26,166,667	1,016,667
Total other liabilities	200,419,515	132,274,375	86,259,547	246,434,343	30,963,017
Governmental activities	\$ 349,900,264	\$ 231,574,375	\$ 163,070,515	\$ 418,404,124	\$ 75,629,410
Long-term liabilities					

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

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

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amount due in one year
Business-Type Activities:					
Compensated absences payable	\$ 136,072	\$ 116,307	\$ 65,771	\$ 186,608	\$ 186,608
Other postemployment benefits	1,611,358	657,253	-	2,268,611	-
Due to retirement systems	227,245	177,974	208,150	197,069	197,069
Self-insured health plan claims	32,814	799,823	813,268	19,369	19,369
Self-insured workers' comp claims	444,608	121,380	77,563	488,425	86,682
Business-type activities	\$ 2,452,097	\$ 1,872,737	\$ 1,164,752	\$ 3,160,082	\$ 489,728
Long-term liabilities					

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

5. CAPITAL INDEBTEDNESS (CONT'D)

Revenue and Tax Anticipation Notes Payable

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

Short-term debt activity for the year ended June 30, 2010:

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance at</u> <u>June 30, 2010</u>
Revenue Anticipation Notes	\$ <u> -</u>	\$ <u>98,800,000</u>	\$ <u>65,000,000</u>	\$ <u>33,800,000</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

5. CAPITAL INDEBTEDNESS (CONT'D)

General Obligation Bonds Payable

General obligation bonds payable included in the accompanying statement of net assets represent obligations issued in the name of the City of Syracuse, New York for District purposes and the City of Syracuse Industrial Development Agency for JSCB purposes. These long-term liabilities are full faith and credit debt of the District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the District. Bonds outstanding at June 30, 2010 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2010</u>
June 15, 1993	2011	2.500-5.125	\$ 597,422
August 13, 1998	2011	4.000-5.250	995,001
April 8, 2003	2011	2.000-3.500	78,697
November 1, 2005	2011	4.500	75,000
August 13, 1998	2013	4.000-5.250	305,000
December 15, 1998	2013	3.900-6.750	1,356,089
May 27, 2004	2014	3.250-5.000	3,425,000
October 15, 2004	2015	4.000-4.750	752,146
July 28, 2005	2015	3.000-3.500	4,807,989
May 1, 2001	2019	4.375-6.000	6,500,000
January 8, 2002	2019	3.000-5.000	5,195,000
May 8, 2003	2019	3.000-5.000	4,665,000
July 28, 2005	2019	2.625-4.500	1,117,437
July 28, 2005	2021	3.000-5.000	8,230,000
May 1, 2002	2022	4.250-5.000	9,550,000
June 3, 2009	2022	4.000-5.000	500,000
June 15, 2010	2023	2.000-5.000	500,000
June 15, 2008	2024	3.250-5.000	12,675,000
October 15, 2004	2025	3.750-4.250	10,525,000
June 15, 2005	2026	4.000-5.000	4,005,000
November 1, 2005	2027	4.000-5.000	6,425,000
June 1, 2007	2030	4.000-5.000	8,725,000
March 12, 2008	2030	3.000-5.250	47,165,000
Totals			<u>\$138,169,781</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

5. CAPITAL INDEBTEDNESS (CONT'D)

General Obligation Bonds Payable

General obligation bonds payable as of June 30, 2010 are as follows:

<u>Years Endings June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,866,393	\$ 6,057,182	\$ 16,923,575
2012	9,565,496	5,632,878	15,198,374
2013	9,893,074	5,259,990	15,153,064
2014	9,728,551	4,851,328	14,579,879
2015	9,177,611	4,410,484	13,588,095
2016-2020	42,601,673	15,976,007	58,577,680
2021-2025	33,811,983	7,123,769	40,935,752
2026-2030	12,525,000	1,267,537	13,792,537
Totals	<u>\$ 138,169,781</u>	<u>\$ 50,579,175</u>	<u>\$ 188,748,956</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, 2010 were approximately \$1,350,000. The minimum future non-cancelable operating lease payments as of June 30, 2010 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2011	\$ 1,102,409
2012	491,840
2013	185,401
2014	107,804
2015	63,926
Thereafter	154,488
Total	<u>\$ 2,105,868</u>

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

7. RETIREMENT PLANS

Plan Description

The District participates in the New York State and Local 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. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

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

Funding Policy

The Systems are noncontributory for the employee 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, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% 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 6.19%, 7.63% and 8.73% for the fiscal years ended June 30, 2010, 2009 and 2008, respectively.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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>
2010	\$ 4,299,857	\$ 12,819,586
2009	2,575,786	14,888,732
2008	2,765,432	15,899,162

8. OTHER POSTEMPLOYMENT BENEFITS

For the fiscal year ending June 30, 2008, the District adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), on a prospective basis. This required the District to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contribution made. In the past, the District reported the cost of retiree benefits on a pay-as-you-go basis.

Plan Description

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

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

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

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

Retiree benefits continue for the life of the retiree. Spousal benefits continue until the death of the retiree.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 a third-party administrator based on projected pay-as-you-go financing requirements.

For the year ended June 30, 2010, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.3 million, amounted to approximately \$15.3 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, 2010, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 62,925,015
Interest on Net OPEB Obligations	4,225,858
Adjustment to Annual Required Contribution	<u>(6,109,545)</u>
Annual OPEB Cost	61,041,328
Contributions Made	<u>(15,335,651)</u>
Increase in Net OPEB Obligation	45,705,677
Net OPEB Obligation - Beginning of Year	<u>105,646,455</u>
Net OPEB Obligation - End of Year	<u>\$ 151,352,132</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 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, 2008	\$ 65,722,240	20.71%	\$ 52,109,499
June 30, 2009	\$ 68,304,977	21.62%	\$ 105,646,455
June 30, 2010	\$ 61,041,328	25.12%	\$ 151,352,132

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

8. OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$697 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$223 million, and the ratio of the liability to the annual covered payroll was 312%.

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, 2010 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 9.50% initially, decreasing to 5.00% after seven years for Pre-65 individuals and 8.00% initially, decreasing to 5.00% for Post-65 individuals after seven years. The prescription cost trend begins at 9.00% initially and decreases to 5.00% after seven years. Both rates include a 3.00% inflation assumption. The UAAL is being amortized based on a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2010 was 30 years.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

9. JOINT SCHOOLS CONSTRUCTION BOARD

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

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

Financing of JSCB

In accordance with Chapter 58 Pt. A-4 of the Laws of 2006 of the State of New York pursuant to Indenture of Trusts (Series 2008 Project) between the SIDA (the Issuer) and M&T Trust Company (the Trustee), School Facility Revenue Bonds, Series 2008A, dated March 1, 2008, totaling \$49,230,000 were issued by the SIDA for the purpose of financing a portion of the cost of the project consisting of the design, reconstruction, rehabilitation, and equipping of certain existing school buildings for use by the District.

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

9. JOINT SCHOOLS CONSTRUCTION BOARD (CONT'D)

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

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

10. ENVIRONMENTAL REMEDIATION

Asbestos remediation obligations have been recognized at June 30, 2010. The estimated liability at June 30, 2010 was based on management's estimated cost to perform remediation. There is potential for changes due to price increases or technology.

11. CONTINGENCIES AND COMMITMENTS

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

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

11. CONTINGENCIES AND COMMITMENTS (CONT'D)

The District has a potential liability for employees who are not entered into the Retirement System due to the fact that they were never offered the right to join. Any potential liability relating to this contingency is not determinable at June 30, 2010.

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, 2010.

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

12. SELF-INSURANCE

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

The District believes the provisions, as described in Note 5, are adequate to cover the liability for claims based upon current available information but these estimates may be more or less than the amount ultimately paid when claims are settled.

13. SUBSEQUENT EVENTS

On September 16, 2010, the District issued \$75,000,000 in Revenue Anticipation Notes at 1.50% maturing on June 30, 2011 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 August 23, 2010.

On October 21, 2010, the District issued \$23,470,950 in general obligation bonds with an average interest rate of 3.62% to advance refund \$22,601,089 of outstanding 1998E, 2001A, 2001D and 2002A Series bonds with an average interest rate of 4.33%. The District advance refunded the bonds to obtain a lower interest rate on the debt to reduce interest expense costs. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$1,095,890.

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

13. SUBSEQUENT EVENTS (CONT'D)

On December 17, 2010, City of Syracuse Industrial Development Agency (SIDA) issued School Facility Revenue Bonds, Series 2010A totaling \$31,470,000 with an average interest rate of 4.80% for use by the District in financing a portion of the cost of the project consisting of the design, reconstruction and rehabilitation of various existing school buildings and the acquisition of certain equipment, fixtures and furnishings under the Cooperative School Reconstruction Act. Refer to Note 9 for further information on the District's renovation project under the Cooperative School Reconstruction Act and previous financing of the project.

(Concluded)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
General property taxes	\$ 55,506,227	\$ 55,506,227	\$ 56,036,474	\$ 530,247
Nonproperty taxes	4,200,000	4,200,000	4,299,493	99,493
Charges for services	112,650	112,650	160,723	48,073
Use of money and property	1,431,000	1,431,000	1,042,800	(388,200)
Sale of property and compensation for loss	3,600	3,600	242,233	238,633
Miscellaneous	105,000	105,000	318,824	213,824
State and local sources	278,965,066	277,915,066	259,656,877	(18,258,189)
Federal sources	3,200,000	3,200,000	17,980,299	14,780,299
Total revenues	343,523,543	342,473,543	339,737,723	(2,735,820)
OTHER SOURCES:				
Operating transfers in	1,655,972	1,655,972	1,563,460	(92,512)
Total revenues and other sources	345,179,515	344,129,515	341,301,183	(2,828,332)
EXPENDITURES AND ENCUMBRANCES:				
General government support	56,815,636	56,641,812	49,678,237	6,963,575
Instruction	248,582,837	247,822,313	246,572,768	1,249,545
Pupil transportation	21,458,685	21,393,033	17,977,199	3,415,834
Interest	2,609,750	2,609,750	1,050,833	1,558,917
Total expenditures and encumbrances	329,466,908	328,466,908	315,279,037	13,187,871
OTHER USES:				
Operating transfers out	24,012,607	24,012,607	21,964,288	2,048,319
Total expenditures and other uses	353,479,515	352,479,515	337,243,325	15,236,190
SURPLUS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	\$ (8,300,000)	\$ (8,350,000)	4,057,858	\$ 12,407,858
EFFECT OF ENCUMBRANCES			2,797,252	
SURPLUS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			\$ 6,855,110	

See Independent Auditor's Report

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2010

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
6/30/2008	\$ -	\$ 657,276,913	\$ 657,276,913	0.00%	\$ 202,112,070	325.20%
6/30/2009	\$ -	\$ 698,096,412	\$ 698,096,412	0.00%	\$ 215,304,220	324.24%
6/30/2010	\$ -	\$ 697,062,263	\$ 697,062,263	0.00%	\$ 223,238,746	312.25%

See Independent Auditor's Report

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Permanent Fund</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Pooled restricted cash and cash equivalents/Total assets	\$ 16,886	\$ 5,377,889	\$ 5,394,775
FUND BALANCE			
Reserved:			
Reserved for debt	\$ -	\$ 500,000	\$ 500,000
Reserved for permanent funds	16,886	-	16,886
Unreserved:			
Designated for future years' use	-	4,877,889	4,877,889
 Total fund balance	 \$ 16,886	 \$ 5,377,889	 \$ 5,394,775

See Independent Auditor's Report

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, 2010

	Permanent Fund	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Use of money and property	\$ 45	\$ 60,274	\$ 60,319
EXPENDITURES			
Principal	-	11,810,968	11,810,968
Interest	-	6,486,322	6,486,322
Total expenditures	-	18,297,290	18,297,290
Excess (deficiency) of revenues over expenditures	45	(18,237,016)	(18,236,971)
OTHER FINANCING SOURCES			
Operating transfers in	-	18,602,148	18,602,148
Revenues and other sources over expenditures	45	365,132	365,177
Fund balances - beginning of year	16,841	5,012,757	5,029,598
Fund balances - end of year	\$ 16,886	\$ 5,377,889	\$ 5,394,775

See Independent Auditor's Report

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
GENERAL FUND
ANALYSIS OF USE OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

Fund balance at beginning of year	\$ 31,786,006
Less: appropriated fund balance	<u>7,360,536</u>
Fund balance at beginning of year (unreserved)	<u><u>\$ 24,425,470</u></u>

See Independent Auditor's Report

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

Project Title	Expenditures to Date					Unexpended (Overexpended) Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Projects Closed	Total
Fields	\$ 3,400,000	\$ -	\$ 3,246,652	\$ -	\$ 3,246,652	\$ -
King/Mckinley	12,813,193	12,813,193	12,901,119	(241,270)	-	12,659,849
Henninger Cafeteria	636,249	-	565,977	3,454	569,431	-
Districtwide Wiring/Technology	27,700,000	27,700,000	4,834,500	-	-	4,834,500
Districtwide Roofs/Fields	1,724,294	-	1,692,268	(100)	1,692,168	-
Districtwide Wiring/Technology	14,534,496	14,534,496	9,492,736	2,241	-	9,494,977
Stage Repairs	200,000	200,000	195,796	-	-	195,796
Nottingham Improvement	5,825,000	5,825,000	5,819,705	-	-	5,819,705
Greystone Building	36,000,000	36,000,000	5,746,599	-	-	5,746,599
Blodgett Renovations	-	36,000,000	-	-	-	-
Fowler Improvement	1,100,000	-	1,080,537	-	1,080,537	-
Dr. Weeks HVAC/Electric	14,160,000	10,405,000	9,545,311	3,187,217	3,702,418	9,030,110
All other various	2,374,090	1,420,642	1,529,446	1,127,701	1,312,105	1,345,042
TOTAL	\$120,467,322	\$144,898,331	\$ 56,650,646	\$ 4,079,243	\$ 11,603,311	\$ 49,126,578
						\$ 95,771,753

See Independent Auditor's Report

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A-1001	\$ 56,036,474	\$ 56,036,474
Other Tax Items	AT-1099	7,852,557	-
Nonproperty Taxes	AT-1199	4,299,493	4,299,493
Charges for Services	AT-2399	160,723	160,723
Use of Money and Property	AT-2499	1,042,800	1,042,800
Sale of Property and Compensation for Loss	AT-2699	242,233	242,233
Miscellaneous	AT-2799	1,949,788	318,824
Interfund Revenues	A-2801	1,563,460	-
State Aid	AT-3999	250,173,356	259,656,877
Federal Aid	AT-4999	17,980,299	17,980,299
Operating Transfers In	AT-5059	-	1,563,460
Total Revenues and Other Financing Sources	AT-5999	<u>\$ 341,301,183</u>	<u>\$ 341,301,183</u>
EXPENDITURES			
General Support	AT-1999	\$ 39,915,655	\$ 50,393,205
Instruction	AT-2999	174,651,083	243,544,082
Pupil Transportation	AT-5599	16,505,219	17,493,665
Employee Benefits	AT-9098/A-8015	80,358,995	-
Debt Service - Interest	AT-9798.7	1,050,833	1,050,833
Interfund Transfers	AT-9951	21,964,288	21,964,288
Total Expenditures and Other Financing Uses	AT-9999/A-8015	<u>\$ 334,446,073</u>	<u>\$ 334,446,073</u>

The differences noted above are explained as follows:

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

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

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

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK
SUPPLEMENTARY INFORMATION
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2010**

Capital assets, net		\$149,459,602
Deduct:		
Short-term portion of bonds payable	10,866,393	
Long-term portion of bonds payable	127,303,388	
Less: unspent bond proceeds	(41,360,768)	
Less: bond proceeds not related to Capital Assets	<u>(1,601,075)</u>	
		<u>95,207,938</u>
Investment in capital assets, net of related debt		<u>\$ 54,251,664</u>

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