

**BASIC FINANCIAL STATEMENTS**

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

**JUNE 30, 2011**

**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, and the aggregate remaining fund information (nonmajor governmental funds and the fiduciary type fund types) of the City School District of Syracuse, New York, component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (nonmajor governmental funds and the fiduciary type fund types) of the City School District of Syracuse, New York as of June 30, 2011 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.

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 December 20, 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.

*Jestore, Marshall & Disenza*

December 20, 2011  
Syracuse, New York

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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The purpose of the discussion and analysis of the Syracuse City School District's (the "District") financial performance is to provide the reader with an overall review of the District's financial activities for the year ended June 30, 2011. 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 \$409.5 million, of which it received \$266.0 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 \$81.4 million as a result of this year's operations.
- At June 30, 2011, combined net assets for all activities were a deficiency of \$219.5 million as a result of including other postemployment benefits liability of \$207.9 million.
- At June 30, 2011, combined capital assets, net of depreciation were \$142.2 million.
- The combined depreciation expense for all activities was \$9.2 million.
- The total long-term general obligation bonds payable, as of June 30, 2011, were \$159.4 million, a increase of \$21.2 million from the prior year.

### **Fund Financial Statement Overview**

- The total revenue for all governmental funds was \$396.4 million which was a decrease of \$18.1 million or 4.4% over the 2009-2010 year.
- The final General Fund budget of \$347.0 million was a decrease of \$5.5 million or 1.6% over the 2009-2010 year.
- General Fund revenues (including operating transfers in) of \$326.1 million were a decrease of \$15.0 million or 4.4% over the 2009-2010 year.
- General Fund expenditures (including operating transfers out) of \$342.6 million were an increase of \$8.2 million or 2.5% over the 2009-2010 year.
- The General Fund's fund balance decreased by \$16.5 million from \$38.6 million to \$22.1 million due to an excess of expenditures over revenues.

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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**USING THIS ANNUAL REPORT**

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

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

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

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

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
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 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



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Government-wide Financial Statements**

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

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

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

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

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Fund Financial Statements**

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

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

The District has three types of funds:

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

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

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

In Table 2, total governmental assets decreased by approximately 5.5% primarily due to the decrease in cash reserves on hand and receivables from Federal and State agencies. The District issued a revenue anticipation note in June 2010 to prevent an anticipated cash flow shortage but did not have to repeat this in the current year. The District continued to receive 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. ARRA funding was substantially reduced in the current year resulting in a corresponding reduction in the receivable balance at yearend compared to the prior year.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

Total liabilities increased by approximately 14.2%. The increase is attributable to the annually increasing liability for other postemployment benefits that rose \$56.5 million (allocated as \$55.6 million governmental and \$0.9 million business-type) as well as the increase in the accrued payroll at yearend. In the previous year, all employees were paid in June to facilitate a payroll operating system conversion while in the current year, employees exercised their option to defer salary payments for the fiscal year into July and August. Additionally, the District issued bonds for the next phase of the Joint Schools Construction Board (JSCB) project while the District did not have an outstanding revenue anticipation note at yearend as in the previous year.

The District's combined governmental net assets decreased approximately \$81.2 million or 59.3%. At June 30, 2011, the total liabilities exceeded the total assets by \$218.0 million (net deficit).

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2011</b>	
Current and Other Assets	\$ 164,982	\$ 154,965	-6.1%
Capital Assets	149,370	142,245	-4.8%
Total Assets	314,352	297,210	-5.5%
Long-Term Debt - Due in One Year	10,866	9,728	-10.5%
Long-Term Debt - Due in More Than One Year	127,303	149,648	17.6%
Other Liabilities	312,996	355,832	13.7%
Total Liabilities	451,165	515,208	14.2%
Net Assets			
Invested in Capital Assets, Net of Related Debt	54,162	40,822	-24.6%
Restricted	37,562	64,075	70.6%
Unrestricted	(228,537)	(322,895)	-41.3%
Total Net Assets	<u>\$ (136,813)</u>	<u>\$ (217,998)</u>	-59.3%

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

In Table 3, the District's total revenues from governmental activities decreased by 2.6% or \$10.8 million. The total cost of all governmental programs and services increased by 4.1% or \$18.8 million.

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

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2010</b>	<b>2011</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	161	440	173.3%
Operating Grants and Contributions	74,237	71,880	-3.2%
General Revenues:			
Property Taxes and Other Taxes	60,336	60,237	-0.2%
State and Local Sources	256,939	257,813	0.3%
Federal Sources	17,980	8,155	-54.6%
Use of Money and Property	1,104	862	-21.9%
Miscellaneous	676	1,279	89.2%
Total Revenues	411,433	400,666	-2.6%
<b>Expenses</b>			
General Support	59,727	61,101	2.3%
Instruction	371,891	386,505	3.9%
Pupil Transportation	20,903	24,455	17.0%
Community Service	2,698	2,544	-5.7%
Interest	7,847	7,246	-7.7%
Total Expenses	463,066	481,851	4.1%
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (51,633)</b>	<b>\$ (81,185)</b>	<b>57.2%</b>

These changes are due to the following factors:

Revenues in the Operating Grants and Contributions and Federal Sources categories decreased by \$12.2 million as the funding allocations received from the federal American Recovery and Reinvestment Act (ARRA) stimulus monies dwindled. The General Fund received only \$5.7 million in ARRA funding in the current year compared to \$13.0 million in the prior year.

Total expenses increased due to several factors. General Support, Instruction and Pupil Transportation expenses were all impacted by the contractually required annual salary increases and a significant increase of \$10.6 million in expenditures for long term other postemployment benefits liability compared to the prior year. Pupil Transportation was also impacted by increased transportation costs as contract pricing is tied to the Consumer Price Index (CPI).

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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In Table 4, total assets of the business-type activities increased by 25.9% or \$0.6 million mainly due to the timing of receipts for state and federal aid. The School Lunch Fund had state and federal aid receivables of \$1.6 million at yearend compared to \$0.8 million in the prior year with May and June 2011 claims for reimbursement outstanding at June 30, 2011 compared to only June 2010 claims outstanding at June 30, 2010.

The total liabilities increased by 22.7% or \$0.7 million mainly due to the additional current year liability for the cost of other postemployment benefits of \$0.9 million.

The net deficit of the business-type activities increased approximately \$0.2 million due to the current year's operating loss. Refer to the subsequent page for more information on current year operating results.

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

	<b>Business-Type Activities</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2011</b>	
Current and Other Assets	\$ 2,369	\$ 3,030	27.9%
Capital Assets	90	66	-26.7%
Total Assets	2,459	3,096	25.9%
Other Liabilities	3,715	4,559	22.7%
Total Liabilities	3,715	4,559	22.7%
Net Assets (Deficit)			
Invested in Capital Assets, Net of Related Debt	90	66	-26.7%
Unrestricted	(1,346)	(1,529)	-13.6%
Total Net Assets (Deficit)	\$ (1,256)	\$ (1,463)	-16.5%

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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In Table 5, the business-type activities revenues remained stable increasing by less than 1%.

The total cost of all business-type activities services increased by \$0.7 million or 7.4% mainly due to contractual salary increases and the continuing increase in the cost of other postemployment benefits.

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

	<b>Business-Type Activities</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2011</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	649	652	0.5%
Operating Grants and Contributions	9,404	9,482	0.8%
Total Revenues	10,053	10,134	0.8%
<b>Expenses</b>			
Food Service	9,629	10,341	7.4%
Total Expenses	9,629	10,341	7.4%
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 424</b>	<b>\$ (207)</b>	<b>-148.8%</b>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$85.5 million, which is an increase of \$4.1 million from the prior year combined fund balance of \$81.4 million. The fund balance represents the accumulated results of the current and all previous years' operations.

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

**General Fund**

The General Fund's fund balance at June 30, 2011, is \$22.1 million, which is a decrease of \$16.5 million from the prior year fund balance of \$38.6 million. Of the balance at June 30, 2011, \$6.1 million was unassigned. The unassigned fund balance represents 1.8% of the total current year General Fund expenditures, while total fund balance represents 6.5% of that same amount.

**JSCB**

At June 30, 2011, the Joint Schools Construction Board (JSCB) Fund reported a fund balance of \$56.1 million, which is an increase of \$19.9 million from the prior year fund balance of \$36.2 million. The entire amount of the fund balance is restricted for use in the related JSCB construction and renovation projects to be completed throughout the District.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual charges to appropriations (expenditures) were \$4.4 million or 1.3% less than the final budget amount of \$347.0 million due to cost savings in various areas throughout the District.

On the other hand, resources available for appropriation (revenues) excluding the use of fund balance were \$1.6 million or 0.5% less than the final budgeted amount of \$328.0 million. This results primarily from the deferral of the final State Aid payment for fiscal year 2010-2011 until September 2011 resulting in the revenue being recognized in fiscal year 2011-2012 instead of fiscal year 2010-2011.

The District's original General Fund budget of \$354.5 million differs from the General Fund's final amended budget of \$347.0 million by \$7.5 million. State Aid funding for growth aid, lease aid and school improvement funding were reduced during the fiscal year from the original budgeted amounts requiring reductions in the amounts budgeted for expenditures for salaries and associated benefits, utilities, contract services and debt service to offset this decrease in revenue.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS**

At June 30, 2011, the District had \$142.3 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 \$7.2 million or 4.8% 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)**

	<b>Governmental Activities and Business-Type Activities</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2011</b>	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	50	55	9.6%
Buildings and Improvements	83,860	104,320	24.4%
Furniture and Equipment	8,955	4,252	-52.5%
Vehicles	1,224	806	-34.2%
Software	4,762	4,917	3.3%
Construction in Progress	49,127	26,482	-46.1%
Total	\$ 149,458	\$ 142,312	-4.8%

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

**DEBT ADMINISTRATION**

At June 30, 2011, the District had \$159.4 million of bonds and notes payable outstanding compared to \$172.0 million last year, a decrease of \$12.6 million or 7.3%. In the prior year, the District refinanced a \$33.8 million revenue anticipation note in June 2010 to cover the anticipated cash flow shortfall due to the expected delay in state aid payments. The District did not have to refinance in the current year. This decrease was offset by bonding for the next phase of the Joint Schools Construction Board renovation projects in the current year. As the District continues renovating aging facilities, it is anticipated debt will continue to increase.

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



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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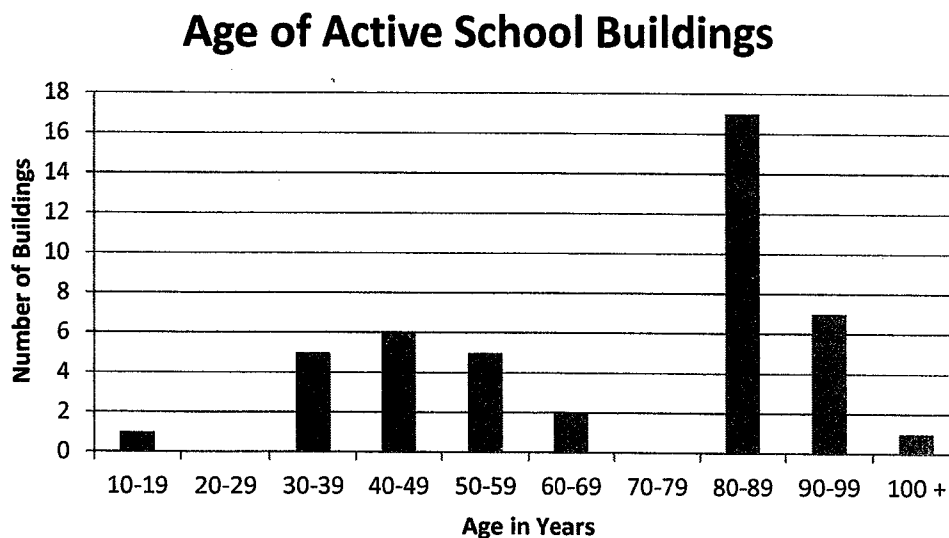
**CHALLENGES FACING THE DISTRICT**

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

The State has authorized the total cost of this initial group of projects not to exceed \$225,000,000. However, JSCB has elected to limit the cost impact of these projects by reducing the size of the initial phase to \$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. During the 2010-2011, the second phase of the roof replacement projects for Clary and Bellevue Academy at Shea began.

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 2011-12 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 levy constant.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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**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 460 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, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 41,876,376	\$ 1,175,671	\$ 43,052,047
Receivables			
State and Federal aid	35,133,490	1,624,842	36,758,332
Due from other governments	6,090,296	-	6,090,296
Other	869,642	24,747	894,389
Inventories	611,184	204,916	816,100
Prepaid expenses	67,350	-	67,350
Pooled restricted cash and cash equivalents	67,931,360	-	67,931,360
Deferred charges	2,385,482	-	2,385,482
Capital assets, net of accumulated depreciation/ amortization	142,245,008	65,866	142,310,874
Total Assets	<u>\$ 297,210,188</u>	<u>\$ 3,096,042</u>	<u>\$ 300,306,230</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 7,435,779	\$ 279,050	\$ 7,714,829
Accrued expenses	11,066,231	-	11,066,231
Accrued payroll	18,172,335	142,375	18,314,710
Due to other governments	6,347,987	2,439	6,350,426
Accrued interest	1,162,543	-	1,162,543
Long-term liabilities			
Due and payable within one year			
Bonds payable	9,727,756	-	9,727,756
Premium on bonds payable	134,895	-	134,895
Due to retirement systems	16,716,389	257,914	16,974,303
Self-insured employee health plan claims	1,120,155	17,283	1,137,438
Self-insured workers' compensation claims	6,048,210	93,317	6,141,527
Compensated absences payable	10,052,059	195,308	10,247,367
Lottery aid payable	1,016,667	-	1,016,667
Due and payable in more than one year			
Bonds payable	149,648,371	-	149,648,371
Premium on bonds payable	2,340,005	-	2,340,005
Self-insured workers' compensation claims	28,767,107	443,841	29,210,948
Environmental remediation	16,085,587	-	16,085,587
Other postemployment benefits	204,732,401	3,127,206	207,859,607
Judgments and claims payable	500,000	-	500,000
Lottery aid payable	24,133,333	-	24,133,333
Total Liabilities	<u>515,207,810</u>	<u>4,558,733</u>	<u>519,766,543</u>
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets, net of related debt	40,822,254	65,866	40,888,120
Restricted	64,075,318	-	64,075,318
Unrestricted	<u>(322,895,194)</u>	<u>(1,528,557)</u>	<u>(324,423,751)</u>
Total Net Assets (Deficit)	<u>(217,997,622)</u>	<u>(1,462,691)</u>	<u>(219,460,313)</u>
Total Liabilities and Net Assets	<u>\$ 297,210,188</u>	<u>\$ 3,096,042</u>	<u>\$ 300,306,230</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Program Services		Net (Expense) Revenue and Changes in Net Assets			
	Charges for	Operating Grants	Governmental	Business-Type		
Expenses	Services	& Contributions	Activities	Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>						
General support	\$ 61,101,113	\$ -	\$ 29,640	\$ (61,071,473)	\$ -	\$ (61,071,473)
Instruction	386,505,119	440,245	69,484,870	(316,580,004)	-	(316,580,004)
Pupil transportation	24,454,695	-	316,559	(24,138,136)	-	(24,138,136)
Community service	2,543,562	-	2,048,883	(494,679)	-	(494,679)
Interest	7,245,936	-	-	(7,245,936)	-	(7,245,936)
Total Governmental Activities	481,850,425	440,245	71,879,952	(409,530,228)	-	(409,530,228)
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food Service	10,341,063	652,306	9,481,673	-	(207,084)	(207,084)
Total Business-Type Activities	10,341,063	652,306	9,481,673	-	(207,084)	(207,084)
Totals	\$ 492,191,488	\$ 1,092,551	\$ 81,361,625	(409,530,228)	(207,084)	(409,737,312)
<b>GENERAL REVENUES</b>						
General property taxes			56,670,988	-		56,670,988
Nonproperty taxes			3,565,916	-		3,565,916
Use of money and property			861,875	106		861,981
Sale of property and compensation for loss			235,587	-		235,587
Miscellaneous			1,043,738	-		1,043,738
State and local sources			257,812,729	-		257,812,729
Federal sources			8,154,612	-		8,154,612
Total General Revenues			328,345,445	106		328,345,551
Change in Net Assets			(81,184,783)	(206,978)		(81,391,761)
Total Net Assets (Deficit) - Beginning of year			(136,812,839)	(1,255,713)		(138,068,552)
Total Net Assets (Deficit) - End of year			\$ (217,997,622)	\$ (1,462,691)		\$ (219,460,313)

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	General	Special Aid	Capital Projects	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Pooled cash and cash equivalents	\$ 41,876,376	\$ -	\$ -	\$ -	\$ -	\$ 41,876,376
Pooled restricted cash and cash equivalents	1,403,717	-	3,128,246	57,511,533	5,887,863	67,931,359
Receivables						
Due from other funds	15,955,051	-	-	536,626	-	16,491,677
State and Federal aid	9,700,167	20,942,986	-	-	-	30,643,153
Due from other governments	5,904,039	-	-	-	-	5,904,039
Other	289,864	457,648	200,000	-	-	947,512
Inventory	611,184	-	-	-	-	611,184
Prepaid expenses	67,350	-	-	-	-	67,350
Total assets	<u>\$ 75,807,748</u>	<u>\$ 21,400,634</u>	<u>\$ 3,328,246</u>	<u>\$ 58,048,159</u>	<u>\$ 5,887,863</u>	<u>\$ 164,472,650</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 5,829,706	\$ 1,606,073	\$ -	\$ -	\$ -	\$ 7,435,779
Accrued expenses	9,051,721	-	28,497	1,986,012	-	11,066,230
Accrued payroll	14,991,356	3,180,979	-	-	-	18,172,335
Due to other governments	4,450,977	1,897,010	-	-	-	6,347,987
Due to other funds	-	14,716,572	1,852,975	-	-	16,569,547
Long-term liabilities						
Due to retirement systems	16,716,389	-	-	-	-	16,716,389
Compensated absences payable	2,628,271	-	-	-	-	2,628,271
Total liabilities	<u>53,668,420</u>	<u>21,400,634</u>	<u>1,881,472</u>	<u>1,986,012</u>	<u>-</u>	<u>78,936,538</u>
<b>FUND BALANCES</b>						
Non-spendable	678,534	-	-	-	16,922	695,456
Restricted	-	-	1,446,774	56,062,147	5,870,941	63,379,862
Committed	427,000	-	-	-	-	427,000
Assigned	14,905,542	-	-	-	-	14,905,542
Unassigned	6,128,252	-	-	-	-	6,128,252
Total fund balances	<u>22,139,328</u>	<u>-</u>	<u>1,446,774</u>	<u>56,062,147</u>	<u>5,887,863</u>	<u>85,536,112</u>
Total liabilities and fund balances	<u>\$ 75,807,748</u>	<u>\$ 21,400,634</u>	<u>\$ 3,328,246</u>	<u>\$ 58,048,159</u>	<u>\$ 5,887,863</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	142,245,008
Deferred charges recorded as incurred in the funds	2,385,482
Receivables not received within 60 days and therefore not reported in the funds	4,676,594
Accrued interest not paid within 60 days and therefore not reported in the funds	(1,162,543)
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.	(451,678,275)
Net assets of governmental activities	<u>\$ (217,997,622)</u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	Special Aid	Capital Projects	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 56,670,988	\$ -	\$ -	\$ -	\$ -	\$ 56,670,988
Nonproperty taxes	3,565,916	-	-	-	-	3,565,916
Charges for services	440,245	-	-	-	-	440,245
Use of money and property	808,920	-	-	2,145	50,810	861,875
Sale of property and compensation for loss	35,587	-	200,000	-	-	235,587
Miscellaneous	1,043,738	-	-	-	-	1,043,738
State and local sources	253,276,489	23,584,491	253,513	-	-	277,114,493
Federal sources	8,154,612	48,295,461	-	-	-	56,450,073
Total revenues	323,996,495	71,879,952	453,513	2,145	50,810	396,382,915
<b>EXPENDITURES</b>						
General support	50,676,236	32,036	-	-	-	50,708,272
Instruction	245,660,521	75,102,979	-	-	-	320,763,500
Pupil transportation	19,952,981	342,154	-	-	-	20,295,135
Community service	466	2,214,343	-	-	-	2,215,009
Debt service						
Principal	-	-	-	-	11,133,514	11,133,514
Interest	1,058,378	-	-	-	5,887,974	6,946,352
Capital outlay	-	-	587,721	12,046,524	-	12,634,245
Total expenditures	317,348,582	77,691,712	587,721	12,046,524	17,021,488	424,696,027
Excess (deficiency) of revenues over expenditures	6,647,913	(5,811,760)	(134,208)	(12,044,379)	(16,970,678)	(28,313,112)
<b>OTHER FINANCING SOURCES AND USES</b>						
Proceeds from debt	-	-	-	31,470,000	-	31,470,000
Proceeds of refunding bonds	-	-	-	-	23,470,950	23,470,950
Premium on issuance of debt	-	-	-	947,719	-	947,719
Premium on refunding bonds	-	-	-	-	899,847	899,847
Payment to escrow agent	-	-	-	-	(24,370,797)	(24,370,797)
Operating transfers in	2,082,186	7,893,946	829,917	4,089,663	17,463,766	32,359,478
Operating transfers out	(25,231,887)	(2,082,186)	(442,278)	(4,603,127)	-	(32,359,478)
Total other sources (uses)	(23,149,701)	5,811,760	387,639	31,904,255	17,463,766	32,417,719
Net change in fund balances	(16,501,788)	-	253,431	19,859,876	493,088	4,104,607
Fund balances - beginning of year	38,641,116	-	1,193,343	36,202,271	5,394,775	81,431,505
Fund balances - end of year	\$ 22,139,328	\$ -	\$ 1,446,774	\$ 56,062,147	\$ 5,887,863	\$ 85,536,112

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, 2011**

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Net Change in Fund Balances - Total Governmental Funds	\$ 4,104,607
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental Activities recognize revenue based on economic resource measurement. Fund activities utilize current financial resources. Revenues that are reported in the governmental funds that are not reported as revenue in the statement of activities.	4,282,727
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.	3,444,451
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.	11,133,514
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(299,584)
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.	(71,432,778)
Payments of debt are an other financing use in the governmental funds but a debt payment decrease long-term liabilities in the statement of net assets.	24,370,797
Proceeds from debt are an other financing source in the governmental funds but a debt issuance increases long-term liabilities in the statement of net assets.	<u>(56,788,517)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (81,184,783)</u></u>

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See Notes to Financial Statements



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**BALANCE SHEET - PROPRIETARY FUND**  
**JUNE 30, 2011**

	School Food Service
<b>ASSETS</b>	
Equity in pooled cash and cash equivalents	\$ 1,175,671
State and Federal aid receivable	1,624,842
Other receivables	24,747
Inventories held for resale	204,916
Total current assets	<u>3,030,176</u>
Capital assets, net of accumulated depreciation	<u>65,866</u>
Total assets	<u><u>\$ 3,096,042</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 279,050
Accrued payroll	142,375
Due to other governments	2,439
Due to retirement systems	257,914
Self-insured employee health plan claims	17,283
Self-insured workers' compensation claims	93,317
Compensated absences payable	195,308
Total current liabilities	<u>987,686</u>
Other postemployment benefits	3,127,206
Self-insured workers' compensation claims	443,841
Total non-current liabilities	<u>3,571,047</u>
Total liabilities	<u>4,558,733</u>
<b>NET ASSETS (DEFICIT)</b>	
Investment in capital assets, net of related debt	65,866
Unrestricted	<u>(1,528,557)</u>
Total net deficit	<u>(1,462,691)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 3,096,042</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, 2011**

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	School Food Service
	<hr/>
<b>OPERATING REVENUES</b>	
Sales	\$ 652,306
State and local sources	820,759
Federal sources	8,076,553
Total operating revenues	<hr/> 9,549,618 <hr/>
<b>OPERATING EXPENSES</b>	
Salaries	3,410,985
Fringe benefits	2,746,422
Purchased services	266,092
Materials and supplies	85,594
Cost of sales	3,798,379
Depreciation	<hr/> 33,591 <hr/>
Total operating expenses	<hr/> 10,341,063 <hr/>
Operating loss	<hr/> (791,445) <hr/>
<b>NON-OPERATING REVENUES</b>	
Donated commodities	584,361
Interest	<hr/> 106 <hr/>
Total non-operating revenues	<hr/> 584,467 <hr/>
Change in net deficit	(206,978)
Net deficit - beginning of year	<hr/> (1,255,713) <hr/>
Net deficit - end of year	<hr/> \$ (1,462,691) <hr/>

See Notes to Financial Statements

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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	School Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 643,538
Receipts from state and local sources	886,054
Receipts from federal sources	7,198,735
Payments to suppliers	(3,717,599)
Payments to employees	(5,112,757)
	<hr/>
Net cash used in operating activities	(102,029)
	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments to other governments	(407)
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Payments for capital acquisitions	(9,596)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	106
	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(111,926)
	<hr/>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,287,597
	<hr/>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,175,671</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (791,445)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	33,591
Donated commodities	584,361
Change in assets and liabilities:	
Increase in accounts receivable	(821,290)
Decrease in inventory held for resale	48,882
Decrease in accounts payable	(199,302)
Decrease in accrued expenses	(1,475)
Increase in accrued payroll	69,864
Increase in due to retirement system	60,844
Decrease in self-insured employee health plan claims payable	(2,087)
Increase in self-insured workers' compensation claims payable	48,733
Increase in other postemployment benefits payable	858,595
Increase in compensated absences payable	8,700
	<hr/>
Net cash used in operating activities	<u><u>\$ (102,029)</u></u>

See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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	Private Purpose Trusts	Agency
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Restricted cash	\$ 132,202	\$ 363,871
Due from other funds	<u>-</u>	<u>78,870</u>
Total assets	<u><u>\$ 132,202</u></u>	<u><u>\$ 442,741</u></u>
<b>LIABILITIES</b>		
Payroll tax escrow accounts	-	114,264
Due to other funds	1,000	-
Other liabilities	<u>-</u>	<u>328,477</u>
Total liabilities	<u>1,000</u>	<u><u>\$ 442,741</u></u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>131,202</u>	
Total net assets	<u>131,202</u>	
Total liabilities and net assets	<u><u>\$ 132,202</u></u>	

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See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Contributions	\$ 18,034
Investment income	18,463
Total additions	<u>36,497</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>10,000</u>
Total deductions	<u>10,000</u>
 Change in net assets	 26,497
 Net assets - beginning of year	 <u>104,705</u>
 Net assets - end of year	 <u><u>\$ 131,202</u></u>

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See Notes to Financial Statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City School District of Syracuse, New York (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2011, the District has applied the financial reporting requirements of GASB Statement Nos. 34, 35, 37, 38, 45, 49, 51 and 54. The District's more significant accounting policies are described below.

**A. Financial Reporting Entity**

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

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

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

(Continued)

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

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

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

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

**B. Basis of Presentation**

*Government-wide Financial Statements:*

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

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

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

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

*Fund Financial Statements:*

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

The District reports the following major governmental funds:

**General Fund**

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

**Special Aid Fund**

This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. The legal restrictions may be imposed either by governments that provide the funds or by outside parties.

**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)



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

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

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

**Debt Service Fund**

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

**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.

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

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

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

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

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

**D. Revenue, Expenditures and Expenses**

**Property Taxes**

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

**Intergovernmental Revenues - Grants**

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

(Continued)

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

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

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

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

**Expenditures/Expenses**

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

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

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

Proprietary Fund - By Operating and Non-operating

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

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

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

**Interfund Transfers**

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

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

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

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

**Restricted and Unrestricted Resources**

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

**E. Cash and Cash Equivalents**

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

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

**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.

**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 inventorable items in other funds are recorded at cost on an average cost basis.

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

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

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

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

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

<u>Type of Asset</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Buildings and improvements	39 years	N/A
Furniture and equipment	6-10 years	6-10 years
Vehicles	3-9 years	N/A
Computer software	5-10 years	N/A

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

**J. Compensated Absences**

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

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

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

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

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

**K. Other Benefits**

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

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

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

**L. Long-Term Obligations**

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

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

**M. Equity Classifications**

*Government-wide Statements*

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

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

Restricted net assets include the following:

General fund inventory and prepaid expenses	\$ 678,534
Permanent fund	16,922
Capital projects	1,446,774
Joint school construction board	56,062,147
Debt service	<u>5,870,941</u>
Total restricted net assets	<u>\$ 64,075,318</u>

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



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

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

*Fund Statements*

In the year ending June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a fund's net resources. Constraints are broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

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

- a. Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory and prepaid expenses recorded in the General Fund of \$678,534.
- b. Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds and remaining funds not otherwise classified as non-spendable, committed or assigned in funds other than the General fund are classified as restricted fund balance.
- c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. Committed fund balance includes \$427,000 designated for technology in the General Fund.
- d. Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$4,905,542. Appropriate fund balance designated during the budgetary process for use to fund operating expenditures in the next fiscal year is also included in Assigned Fund Balance. The District appropriated \$10,000,000 of fund balance to be used to fund fiscal year 2011-2012 operating expenditures.

(Continued)

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

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

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

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

*Order of Use of Fund Balance*

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

**N. Economic Dependency**

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

**O. Use of Estimates**

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

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

### **Budget Policies**

- a. The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted: General Fund.
- b. A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.
- e. An annual budget is not adopted for the Special Revenue Fund. Budgetary controls are established in accordance with grant agreements.

### **Budget Basis of Accounting**

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

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**3. INTERFUND TRANSACTIONS**

To improve cash management, most disbursements are made from a pooled account in the general fund. Interfund receivables and payables exist primarily due to this cash management practice, as well as normal delays in processing interfund transfers and reimbursement. Interfund balances and transfers are short term in nature and are typically repaid in less than one year. The following schedule summarizes interfund transactions at June 30, 2011:

	Amount Receivable	Amount Payable
General fund	\$ 15,955,051	\$ -
Special aid fund	-	14,716,572
Private purpose trusts	-	1,000
Capital projects fund	-	1,852,975
Joint schools construction board	536,626	-
Agency Fund	78,870	-
Total	<u>\$ 16,570,547</u>	<u>\$ 16,570,547</u>

	Transfers In	Transfers Out
General fund	\$ 2,082,186	\$ 25,231,887
Special aid fund	7,893,946	2,082,186
Capital projects fund	829,917	442,278
Joint schools construction board	4,089,663	4,603,127
Debt service fund	17,463,766	-
Total	<u>\$ 32,359,478</u>	<u>\$ 32,359,478</u>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Disposals/ Transfers	Balance at June 30, 2011
<b>Governmental Activities</b>				
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	5,842,812	14,887	-	5,857,699
Buildings and improvements	260,611,930	23,576,363	-	284,188,293
Furniture and equipment	22,333,427	377,474	(2,346,634)	20,364,267
Vehicles	3,950,484	9,333	(124,000)	3,835,817
Software	5,465,052	731,854	-	6,196,906
Construction in progress (not depreciable)	<u>49,126,578</u>	<u>587,721</u>	<u>(23,232,571)</u>	<u>26,481,728</u>
Total capital assets	<u>348,810,608</u>	<u>25,297,632</u>	<u>(25,703,205)</u>	<u>348,405,035</u>
Less accumulated depreciation/amortization:				
Land improvements	(5,792,616)	(10,090)	-	(5,802,706)
Buildings and improvements	(176,751,580)	(3,117,094)	-	(179,868,674)
Furniture and equipment	(13,467,793)	(5,057,318)	2,346,634	(16,178,477)
Vehicles	(2,725,986)	(427,838)	124,000	(3,029,824)
Software	<u>(702,892)</u>	<u>(577,454)</u>	<u>-</u>	<u>(1,280,346)</u>
Total accumulated depreciation/ amortization	<u>(199,440,867)</u>	<u>(9,189,794)</u>	<u>2,470,634</u>	<u>(206,160,027)</u>
Governmental activities capital assets, net	<u>\$ 149,369,741</u>	<u>\$ 16,107,838</u>	<u>\$ (23,232,571)</u>	<u>\$ 142,245,008</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 2,171,217	\$ 9,596	\$ -	\$ 2,180,813
Less accumulated depreciation	<u>(2,081,356)</u>	<u>(33,591)</u>	<u>-</u>	<u>(2,114,947)</u>
Business-type activities capital assets, net	<u>\$ 89,861</u>	<u>\$ (23,995)</u>	<u>\$ -</u>	<u>\$ 65,866</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

Depreciation/amortization expense was charged as follows:

Governmental Activities:

Instruction	\$ 7,524,246
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Support Service:

General	1,189,479
Pupil Transportation	<u>476,069</u>

Depreciation/Amortization expense	9,189,794
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Business-type Activities:

School Food Service	<u>33,591</u>
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Total depreciation/amortization expense	<u>\$ 9,223,385</u>
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**5. CAPITAL INDEBTEDNESS**

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

Long-term liability activity for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount due in one year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Bonds payable	\$ 138,169,781	\$ 54,940,950	\$ 33,734,604	\$ 159,376,127	\$ 9,727,756
Premiums on bonds payable	-	2,609,795	134,895	2,474,900	134,895
Total bonds and premium on bonds	<u>138,169,781</u>	<u>57,550,745</u>	<u>33,869,499</u>	<u>161,851,027</u>	<u>9,862,651</u>
Other Liabilities:					
Compensated absences payable	9,170,355	9,887,412	9,005,708	10,052,059	10,052,059
Other postemployment benefits	149,083,521	55,648,880	-	204,732,401	-
Due to retirement systems	13,507,214	23,747,828	20,538,653	16,716,389	16,716,389
Self-insured health plan claims	1,327,569	56,736,554	56,943,968	1,120,155	1,120,155
Self-insured workers' comp claims	33,476,907	7,149,304	5,810,894	34,815,317	6,048,210
Judgments and claims payable	500,000	-	-	500,000	-
Environmental remediation	13,202,110	2,883,477	-	16,085,587	-
Lottery aid payable	<u>26,166,667</u>	<u>-</u>	<u>1,016,667</u>	<u>25,150,000</u>	<u>1,016,667</u>
Total other liabilities	<u>246,434,343</u>	<u>156,053,455</u>	<u>93,315,890</u>	<u>309,171,908</u>	<u>34,953,480</u>
Governmental activities					
Long-term liabilities	<u>\$ 384,604,124</u>	<u>\$ 213,604,200</u>	<u>\$ 127,185,389</u>	<u>\$ 471,022,935</u>	<u>\$ 44,816,131</u>

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

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

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount due in one year
<b>Business-Type Activities:</b>					
Compensated absences payable	\$ 186,608	\$ 126,888	\$ 118,188	\$ 195,308	\$ 195,308
Other postemployment benefits	2,268,611	858,595	-	3,127,206	-
Due to retirement systems	197,069	377,731	316,886	257,914	257,914
Self-insured health plan claims	19,369	876,490	878,576	17,283	17,283
Self-insured workers' comp claims	<u>488,425</u>	<u>138,388</u>	<u>89,655</u>	<u>537,158</u>	<u>93,317</u>
Business-type activities					
Long-term liabilities	<u>\$ 3,160,082</u>	<u>\$ 2,378,092</u>	<u>\$ 1,403,305</u>	<u>\$ 4,134,869</u>	<u>\$ 563,822</u>

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Revenue and Tax Anticipation Notes Payable**

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

Short-term debt activity for the year ended June 30, 2011:

	Balance at June 30, 2010	Issued	Redeemed	Balance at June 30, 2011
Revenue Anticipation Notes	<u>\$ 33,800,000</u>	<u>\$ 75,000,000</u>	<u>\$ 108,800,000</u>	<u>\$ -</u>



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**General Obligation Bonds Payable**

General obligation bonds payable included in the accompanying statement of net assets represent obligations issued in the name of the City of Syracuse, New York for District purposes and the City of Syracuse Industrial Development Agency for JSCB purposes. These long-term liabilities are full faith and credit debt of the District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the District. Bonds outstanding at June 30, 2011 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2011</u>
August 13, 1998	2013	4.000-5.250	\$ 185,000
September 30, 2010	2013	2.000-3.000	924,400
May 27, 2004	2014	3.250-5.000	2,625,000
October 15, 2004	2015	4.000-4.750	615,036
July 28, 2005	2015	3.000-3.500	3,911,065
May 8, 2003	2019	3.000-5.000	4,215,000
July 28, 2005	2019	2.625-5.000	918,410
September 30, 2010	2019	2.000-4.000	10,945,000
July 28, 2005	2021	3.000-5.000	7,640,000
June 3, 2009	2022	4.000-5.000	467,216
September 30, 2010	2022	2.000-4.000	9,230,000
June 15, 2010	2023	2.500-5.000	500,000
June 15, 2008	2024	3.250-5.000	11,975,000
October 15, 2004	2025	3.750-4.250	10,025,000
June 15, 2005	2026	4.000-5.000	3,825,000
November 1, 2005	2027	4.000-5.000	6,150,000
December 23, 2010	2027	3.000-6.000	31,470,000
June 1, 2007	2030	4.000-5.000	8,450,000
March 12, 2008	2030	3.000-5.250	45,305,000
Totals			<u>\$159,376,127</u>

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 net proceeds of \$24,370,797 (including a premium of \$899,937) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. This refunding decreases total debt service payments over the next 11 years by \$1.2 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,095,890.

(Continued)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**General Obligation Bonds Payable**

On December 23, 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.

General obligation bonds payable as of June 30, 2011 are as follows:

<u>Years Endings June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,727,756	\$ 6,829,932	\$ 16,557,688
2013	11,568,553	6,491,563	18,060,116
2014	11,438,550	6,054,809	17,493,359
2015	10,922,611	5,581,203	16,503,814
2016	9,974,251	5,137,420	15,111,671
2017-2021	52,068,614	18,859,105	70,927,719
2022-2026	42,360,792	8,194,944	50,555,736
2027-2031	11,315,000	847,944	12,162,944
Totals	<u>\$ 159,376,127</u>	<u>\$ 57,996,920</u>	<u>\$ 217,373,047</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, 2011 were approximately \$1,179,000. The minimum future non-cancelable operating lease payments as of June 30, 2011 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2012	\$ 911,509
2013	487,836
2014	324,419
2015	168,483
2016	133,992
Thereafter	90,562
Total	<u>\$ 2,116,801</u>

(Continued)

## **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 8.62%, 6.19% and 7.63% for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Funding Policy (Cont'd)**

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

<u>Years Ending June 30,</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2011	\$ 5,686,520	\$ 15,539,793
2010	4,299,857	12,819,586
2009	2,575,786	14,888,732

**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, 2011**

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

**Funding Policy**

The contribution requirements of plan members and the District are established on an annual premium equivalent rate calculated by a third-party administrator based on projected pay-as-you-go financing requirements.

For the year ended June 30, 2011, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.3 million, amounted to approximately \$16.3 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, 2011, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 75,499,660
Interest on Net OPEB Obligations	6,054,085
Adjustment to Annual Required Contribution	<u>(8,752,709)</u>
Annual OPEB Cost	72,801,036
Contributions Made	<u>(16,293,561)</u>
Increase in Net OPEB Obligation	56,507,475
Net OPEB Obligation - Beginning of Year	151,352,132
Net OPEB Obligation - End of Year	<u>\$ 207,859,607</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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, 2009	\$ 68,304,977	21.62%	\$ 105,646,455
June 30, 2010	\$ 61,041,328	25.12%	\$ 151,352,132
June 30, 2011	\$ 72,801,036	22.38%	\$ 207,859,607

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

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$934 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$222 million, and the ratio of the liability to the annual covered payroll was 420%.

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, 2011 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 11.00% initially, decreasing to 5.00% after seven years for Pre-65 individuals and 10.00% initially, decreasing to 5.00% for Post-65 individuals after seven years. The prescription cost trend begins at 11.00% 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, 2011 was 30 years.

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

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

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

### **Financing of JSCB**

In accordance with Chapter 58 Pt. A-4 of the Laws of 2006 of the State of New York pursuant to Indenture of Trusts (Series 2008 Project) between the SIDA (the Issuer) and M&T Trust Company (the Trustee), School Facility Revenue Bonds, Series 2008A, dated March 12, 2008, totaling \$49,230,000 and Series 2010A, dated December 23, 2010, totaling \$31,470,000 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 and 2010A Bonds are special limited obligations of the issuer payable solely from (i) the payment of installment purchase payments by the SCSD and the City under the Installment Sale Agreement and (ii) the pledge of certain funds, including a bond fund and a debt service reserve fund, under the Indenture. In the event the SCSD and the City fail to make an installment purchase payment under the Installment Sale Agreement, it is provided in the Syracuse Schools Act and the Indenture that, upon receipts by the New York State Comptroller (the "State Comptroller") of a certificate from the Series 2008A and 2010A Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any state and/or school aid payable to the SCSD or the City to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Series 2008A and 2010A Trustee on behalf of the Issuer the amount withheld.

**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 and 2010A 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 and 2010A Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon. The District will be responsible for the maintenance and operation of the facilities constructed and/or repaired with the Series 2008A and 2010A proceeds.

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

**10. ENVIRONMENTAL REMEDIATION**

Asbestos remediation obligations have been recognized at June 30, 2011. The estimated liability at June 30, 2011 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.



**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, 2011.

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, 2011.

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 13, 2011, the District issued \$64,000,000 in Revenue Anticipation Notes at 0.82% maturing on June 30, 2012 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 22, 2011.

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

(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, 2011**

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
General property taxes	\$ 55,506,227	\$ 55,506,227	\$ 56,670,988	\$ 1,164,761
Nonproperty taxes	2,600,000	2,600,000	3,565,916	965,916
Charges for services	112,650	112,650	440,245	327,595
Use of money and property	951,000	951,000	808,920	(142,080)
Sale of property and compensation for loss	3,600	3,600	35,587	31,987
Miscellaneous	520,000	520,000	1,043,738	523,738
State and local sources	265,669,408	258,169,408	253,276,489	(4,892,919)
Federal sources	8,922,580	8,922,580	8,154,612	(767,968)
Total revenues	334,285,465	326,785,465	323,996,495	(2,788,970)
OTHER SOURCES:				
Operating transfers in	1,200,000	1,200,000	2,082,186	882,186
Total revenues and other sources	335,485,465	327,985,465	326,078,681	(1,906,784)
EXPENDITURES AND ENCUMBRANCES:				
General government support	58,061,536	53,010,162	51,806,396	1,203,766
Instruction	246,167,891	248,122,903	241,432,575	6,690,328
Pupil transportation	21,485,258	19,381,620	17,798,521	1,583,099
Community services	-	-	466	(466)
Interest	2,609,750	1,025,299	1,058,378	(33,079)
Total expenditures and encumbrances	328,324,435	321,539,984	312,096,336	9,443,648
OTHER USES:				
Operating transfers out	26,161,030	25,445,481	25,231,887	213,594
Total expenditures and other uses	354,485,465	346,985,465	337,328,223	9,657,242
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	\$ (19,000,000)	\$ (19,000,000)	(11,249,542)	\$ 7,750,458
EFFECT OF ENCUMBRANCES			(5,252,246)	
NET CHANGE IN FUND BALANCE			\$ (16,501,788)	

See Independent Auditor's Report

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTRETIREMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	\$ -	\$ 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%
6/30/2011	\$ -	\$ 933,884,652	\$ 933,884,652	0.00%	\$ 222,199,320	420.29%

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See Independent Auditor's Report

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**SUPPLEMENTARY INFORMATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

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	<u>Permanent Fund</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Pooled restricted cash and cash equivalents	\$ 16,922	\$ 5,870,941	\$ 5,887,863
Due from other funds	-		-
Pooled restricted cash and cash equivalents/Total assets	<u>\$ 16,922</u>	<u>\$ 5,870,941</u>	<u>\$ 5,887,863</u>
<b>FUND BALANCE</b>			
Non-spendable	\$ 16,922	\$ -	\$ 16,922
Restricted	<u>-</u>	<u>5,870,941</u>	<u>5,870,941</u>
Total fund balance	<u>\$ 16,922</u>	<u>\$ 5,870,941</u>	<u>\$ 5,887,863</u>

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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, 2011**

	Permanent Fund	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Use of money and property	\$ 36	\$ 50,774	\$ 50,810
<b>EXPENDITURES</b>			
Principal	-	11,133,514	11,133,514
Interest	-	5,887,974	5,887,974
Total expenditures	-	17,021,488	17,021,488
Excess (deficiency) of revenues over expenditures	36	(16,970,714)	(16,970,678)
<b>OTHER FINANCING SOURCES</b>			
Proceeds of Refunding Bonds	-	23,470,950	23,470,950
Premium on Refunding Bonds	-	899,847	899,847
Payment to Escrow Agent	-	(24,370,797)	(24,370,797)
Operating transfers in	-	17,463,766	17,463,766
Total other financing sources	-	17,463,766	17,463,766
Net change in fund balances	36	493,052	493,088
Fund balances - beginning of year	16,886	5,377,889	5,394,775
Fund balances - end of year	\$ 16,922	\$ 5,870,941	\$ 5,887,863

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**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
SUPPLEMENTARY INFORMATION  
GENERAL FUND  
ANALYSIS OF USE OF UNRESERVED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

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Unreserved fund balance at beginning of year	\$ 38,641,116
Less: appropriated fund balance (designated)	<u>19,000,000</u>
Undesignated fund balance at beginning of year	<u><u>\$ 19,641,116</u></u>

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CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
SUPPLEMENTARY INFORMATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

Project Title	Expenditures to Date					Unexpended (Overexpended) Balance	Methods of Financing			Fund Balance June 30, 2011		
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Projects Closed		Total	Proceeds of Obligations	State Aid		Local Sources	Total
King / McKinley	12,813,193	-	12,659,850	11,367	12,671,217	-	-	-	-	-	-	-
Districtwide Wiring/Technology	27,700,000	27,700,000	4,834,500	-	-	4,834,500	4,538,731	-	295,769	4,834,500	-	-
Districtwide Wiring/Technology	14,534,496	14,534,496	9,494,977	-	-	9,494,977	8,461,532	835,074	198,371	9,494,977	-	-
Stage Repairs	200,000	-	195,796	6,206	202,002	-	-	-	-	-	-	-
Nottingham Improvement	5,825,000	-	5,819,706	-	5,819,706	-	-	-	-	-	-	-
Corcoran Bleachers	-	477,300	-	177,594	-	177,594	299,706	-	477,300	477,300	299,706	-
Greystone Building	36,000,000	36,000,000	5,746,598	-	-	5,746,598	30,253,402	-	-	5,750,000	3,402	-
Blodgett Renovations	36,000,000	36,000,000	-	-	-	-	36,000,000	-	-	-	-	-
Partial EXCEL Projects	10,405,000	6,905,000	9,030,111	392,554	3,273,216	6,149,449	755,551	439,800	-	7,049,260	899,811	-
All other various	1,420,642	185,642	1,345,040	-	1,266,430	78,610	107,032	138,213	143,610	322,465	243,855	-
TOTAL	\$144,898,331	\$121,802,438	\$49,126,578	\$587,721	\$23,232,571	\$26,481,728	\$95,320,710	\$1,413,087	\$1,115,050	\$27,928,502	\$1,446,774	-

**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, 2011**

	Code	ST-3 Amount	Audited Amount
<b>REVENUES</b>			
Real Property Taxes	A-1001	\$ 56,670,988	\$ 56,670,988
Other Tax Items	AT-1099	7,216,853	-
Nonproperty Taxes	AT-1199	3,565,916	3,565,916
Charges for Services	AT-2399	440,245	440,245
Use of Money and Property	AT-2499	808,920	808,920
Sale of Property and Compensation for Loss	AT-2699	35,587	35,587
Miscellaneous	AT-2799	1,945,694	1,043,738
Interfund Revenues	A-2801	2,082,186	-
State Aid	AT-3999	245,157,680	253,276,489
Federal Aid	AT-4999	8,154,612	8,154,612
Operating Transfers In	AT-5059	-	2,082,186
Total Revenues and Other Financing Sources	AT-5999	<u>\$ 326,078,681</u>	<u>\$ 326,078,681</u>
<b>EXPENDITURES</b>			
General Support	AT-1999	\$ 39,107,275	\$ 50,676,236
Instruction	AT-2999	173,357,774	245,660,521
Pupil Transportation	AT-5599	18,733,945	19,952,981
Community Service	AT-8099	-	466
Employee Benefits	AT-9098/A-8015	85,091,210	-
Debt Service - Interest	AT-9798.7	1,058,378	1,058,378
Interfund Transfers	AT-9951	25,231,887	25,231,887
Total Expenditures and Other Financing Uses	AT-9999/A-8015	<u>\$ 342,580,469</u>	<u>\$ 342,580,469</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, 2011**

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Capital assets, net		\$ 142,310,874
Add:		
Deferred loss on early retirement of debt	<u>2,385,482</u>	2,385,482
Deduct:		
Premium on bonds payable	2,474,900	
Short-term portion of bonds payable	9,727,756	
Long-term portion of bonds payable	149,648,371	
Less: unspent bond proceeds	(56,742,065)	
Less: bond proceeds not related to capital assets	<u>(1,300,726)</u>	<u>(103,808,236)</u>
Investment in capital assets, net of related debt		<u>\$ 40,888,120</u>

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See Independent Auditor's Report