

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

**Financial Statements and Required Reports  
Under Uniform Guidance as of and for the Year Ended  
June 30, 2017**

**Bonadio & Co., LLP**  
Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

December 14, 2017

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City School District of Syracuse, New York (the School District), a blended component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City School District of Syracuse, New York, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Correction of Errors**

As described in Note 13 to the financial statements, the fund balance and net position of the Joint School Construction Board Fund and General Fund at July 1, 2016 of the Governmental Funds Financial Statements were decreased and increased by \$1,596,046, respectively, to reflect a correction of error related to debt service transactions between the funds.

As described in Note 13 to the financial statements, net position at July 1, 2016 of the government-wide financial statements was increased by \$35,831,033 to reflect a correction of an error in recognizing capital assets.

Our opinions are not modified with respect to these matters.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund, Schedule of Funding Progress for Postemployment Benefits, Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions-Pension Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City School District of Syracuse, New York's basic financial statements. The supplementary information on pages 60-61, as required by New York State Education Department and the combining and individual nonmajor fund financial statements on pages 58-59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the City School District of Syracuse, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City School District of Syracuse, New York's internal control over financial reporting and compliance.

Bonadio & Co., LLP

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2017**

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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 including its blended component unit, Joint Schools Construction Board (JSCB) for the year ended June 30, 2017 based on currently known facts, decision, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. 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 \$400.1 million of which it received \$330.8 million from State and Federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The District's combined net position for all activities decreased by \$8.8 million as a result of this year's operations.
- At June 30, 2017, combined net position for all activities was a deficiency of \$254.5 million mainly as a result of recognizing other postemployment benefits (OPEB) expenditures of \$486.3 million.
- At June 30, 2017, combined capital assets, net of depreciation were \$285.4 million.
- The combined depreciation expense for all activities was \$9.5 million.
- The total long-term bonds payable, as of June 30, 2017, were \$130.8 million, a decrease of \$12.8 million from the prior year.

#### **Fund Financial Statement Overview**

- The total revenue for all governmental funds was \$489.0 million which was an increase of \$24.5 million or 5.3% over the 2015-2016 year.
- The final General Fund budget (including the prior year's encumbrances) of \$411.4 million was an increase of \$15.2 million or 3.8% over the 2015-2016 year.
- General Fund revenues (including operating transfers in) of \$396.3 million were an increase of \$27.4 million or 7.4% over the 2015-2016 year.
- General Fund expenditures (including operating transfers out) of \$388.9 million were an increase of \$11.2 million or 3.0% over the 2015-2016 year.
- The General Fund's fund balance increased by \$7.3 million from \$36.5 million, as restated, to \$43.8 million due to an excess of revenues over expenditures.

## USING THIS ANNUAL REPORT

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

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

The governmental fund financial statements show how basic services such as general and special education were financed in the short-term, as well as how much remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of those outside the District.

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

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



## USING THIS ANNUAL REPORT (Continued)

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

	Fund Financial Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not 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 Position</li> <li>• Statement of Activities and Changes in Net Position</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 Position</li> <li>• Statement of Changes in Fiduciary Net Position</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/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid (Trust Fund only)

## **USING THIS ANNUAL REPORT (Continued)**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

## **USING THIS ANNUAL REPORT (Continued)**

### **Fund Financial Statements - (Continued)**

The District has three types of activities:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds are not reflected in the government-wide financial statements because these assets are not available to finance the District's operations.
- **Blended Component Unit:** The District includes one separate legal entity in this report - JSCB. JSCB is a joint venture between the District and the City of Syracuse (The City). 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 for the design, construction, reconstruction and financing of educational facilities in the City in accordance with applicable State and Local laws. JSCB has a fiscal year which ends June 30.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

In Table 2, total governmental assets decreased by approximately 15.5% mainly due to the decrease of the District's proportionate share of the New York State Teachers' Retirement System's (NYSTRS) net pension asset from \$109 million to a net pension liability of \$12.2 million. This decrease was partially offset by the increase in cash on hand at year-end from the issuance of \$29.8 million in bond anticipation notes (BAN) to fund JSCB construction expenditures scheduled to occur in the next fiscal year.

Total liabilities increased by \$42.5 million or 5.6%. The increase in the Other Liabilities category is mainly attributable to the growing liability for other postemployment benefits that rose by \$24.2 million this year and the increase in the District's share of the NYSTRS and New York State and Local Employees' Retirement System's (NYSERS) pension liabilities by \$16.9 million. These increases were partially offset by the decrease in Bonds Payable by \$12.8 million for the current year debt service payments that were made.

Deferred outflows of \$127.1 million and deferred inflows of \$11.3 million, an increase of \$83.5 million and a decrease of \$29.2 million, respectively from the prior year, were also recognized this year in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 and 71 for the District's share of the NYSERS and NYSTRS pensions.

The District's combined governmental net deficit grew by approximately \$8.8 million or 3.6%. At June 30, 2017, the total liabilities exceeded the total assets by \$254.5 million (net deficit).

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

	Governmental Activities		Percentage Change
	2016 (as restated)	2017	
Current and Other Assets	\$ 111,905	\$ 142,768	27.6%
Non-current Assets	394,871	285,430	-27.7%
Total Assets	506,776	428,198	-15.5%
Deferred Outflows of Resources	44,826	127,955	185.4%
Bonds Payable - Due in One Year	13,181	11,230	-14.8%
Bonds Payable - Due in More Than One Year	130,376	119,541	-8.3%
Other Liabilities	613,270	668,587	9.0%
Total Liabilities	756,827	799,358	5.6%
Deferred Inflows of Resources	40,487	11,294	-72.1%
<u>Net Position</u>			
Net investments in capital assets	152,361	179,964	18.1%
Restricted	15,560	11,690	-24.9%
Unrestricted (deficit)	(413,635)	(446,152)	7.9%
Total Net Deficit	\$ (245,714)	\$ (254,498)	3.6%

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

As shown in Table 3 below, the District's total revenues from governmental activities increased by 6.0% or \$27.2 million primarily due to the \$26.2 million increase in General Aid from \$239.3 million in the prior year to \$265.5 million in the current year.

The cost of all governmental programs and services increased by 11.7% or \$51.0 million. The effect of the requirements of GASB 68 and 71 had a minimal impact on 2017 total expenses representing a \$0.5 million increase but in 2016 the effect resulted in a \$28.5 million reduction in expenses. Also, OPEB expense which is recorded based on an actuarial valuation represented a \$6.6 million increase compared to the amount recognized in 2016.

Salaries increased 3.5% or \$6.4 million over the prior year mainly due to contractual wage increases for instructional staff and other bargaining units, position increases for Vice Principal and Teaching Assistant staff, and additional funding for Attendance Teams and Academic Intervention Services. The District also experienced a significant increase in the number of staff members retiring in the current year resulting in retirement costs increasing by \$1 million as retiring staff members are eligible to receive retirement incentives and payouts in accordance with bargaining unit contract provisions. Employee retirement costs, on the other hand, decreased by 7.6% or \$1.8 million as the NYSTRS contribution rate decreased from 17.5% to 13.3% and NYSERS rates decreased as well.

Actively managing health and prescription costs by implementing a high deductible plan, Medicare Advantage Plan and Medicare Part D prescription drug retiree benefit (EGWP) plan coupled with lower volume and severity of claims resulted in medical and dental expenditures on the District's self-insured plan being \$2.1 million less than in the prior year.

Charter School tuition expense increased \$1.2 million in the current year when compared with the prior year due to increases in the billing rate and charter school enrollment.

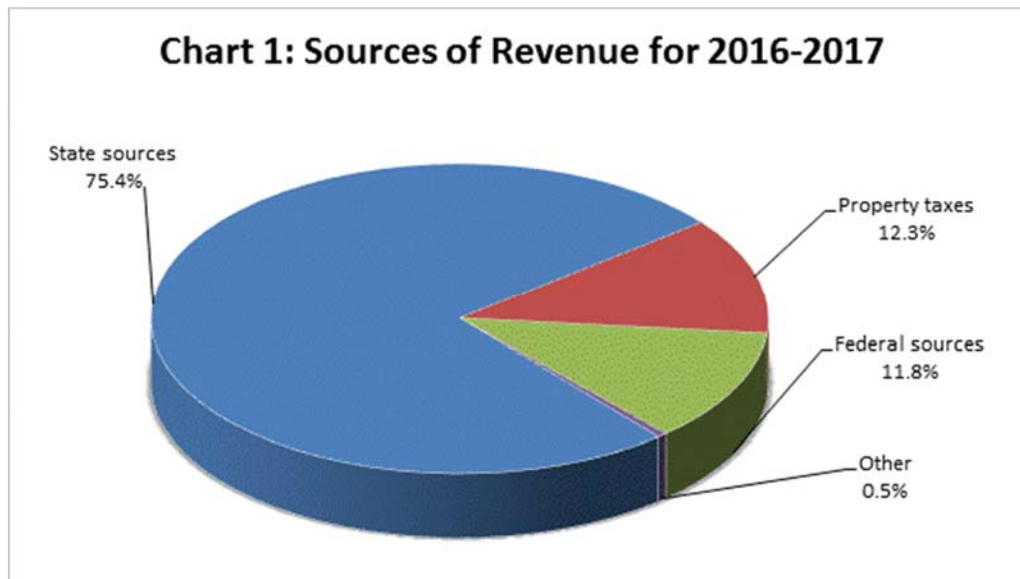
Bond principal and interest payment amounts increased by \$3.0 million over the prior year as the District begins making principal and interest payments on JSCB project related bonds.

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

	<u>Governmental Activities</u> <u>2016</u>	<u>2017</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 485	\$ 459	-5.4%
Operating Grants and Contributions	86,197	85,456	-0.9%
General Revenues:			
Property Taxes and Other Taxes	58,253	59,212	1.6%
State and Local Sources	300,394	328,524	9.4%
Federal Sources	3,809	2,278	-40.2%
Use of Money and Property	159	263	65.4%
Miscellaneous	721	1,001	38.8%
Total Revenues	<u>450,018</u>	<u>477,193</u>	6.0%
<b>Expenses</b>			
General Support	57,392	61,622	7.4%
Instruction	332,817	377,961	13.6%
Pupil Transportation	23,354	24,722	5.9%
Community Service	1,083	1,111	2.6%
School Food Service Program	13,192	13,978	6.0%
Interest	7,182	6,583	-8.3%
Total Expenses	<u>435,020</u>	<u>485,977</u>	11.7%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 14,998</u>	<u>\$ (8,784)</u>	-158.6%

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

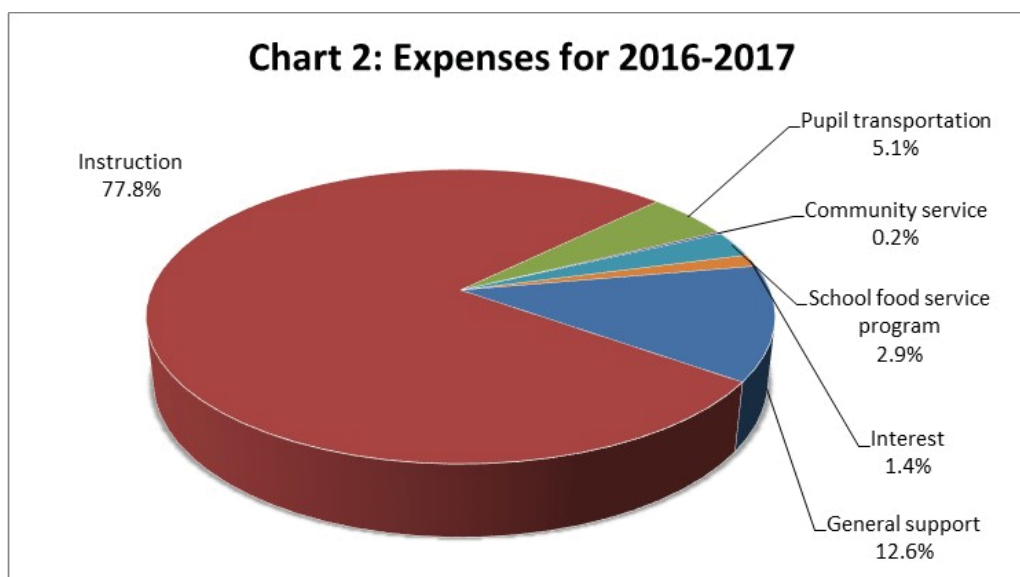
The District is dependent on New York State and Federal sources for financing day to day operations with these two funding sources comprising 87.2% of total Governmental Activities revenue as shown in Chart 1 below. This dependency results in sensitivity to changes in the State's fiscal condition as well as changes in the State and Federal governments' funding priorities.



The District spent 77.8% of total expenditures on Instruction including salaries and benefits for Teachers and Teaching Assistants and instructional supplies and 2.9% providing meals to students through the School Food Service Program as shown in Chart 2 below.

Pupil Transportation services to transport all students who are residents of the District to sites both within and outside of the District utilized 5.1% of total expenditures.

General Support services such as custodial, maintenance, accounting and administrative services made up approximately 12.6% of total expenditures.



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

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$56.1 million, which is an increase of \$4.7 million from the prior year combined fund balance of \$51.4 million, as restated. The fund balance represents the accumulated results of the current and all previous years' operations.

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

### **General Fund**

The General Fund's fund balance at June 30, 2017, is \$43.8 million, which is an increase of \$7.3 million from the prior year fund balance of \$36.5 million, as restated. Of the balance at June 30, 2017, \$28.7 million was unassigned. The unassigned fund balance represents 7.4% of the total current year General Fund expenditures, while total fund balance represents 11.3% of that same amount.

### **JSCB**

At June 30, 2017, JSCB, a blended component unit, reported a fund balance deficit of \$3.2 million, which is a decrease of \$7.3 million from the prior year fund balance of \$4.1 million, as restated. The entire amount of the fund balance is reserved for use in the related JSCB construction and renovation projects to be completed throughout the District.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's original adopted General Fund budget was \$411.4 million, consisting of the current year's operating budget of \$407.1 million and prior year's encumbrances of \$4.3 million. The final budget was the same as the original budget.

The actual charges to appropriations (expenditures) were \$22.5 million or 5.5% less than the final budget amount of \$411.4 million mainly due to health and prescription costs being less than budget by \$9.0 million. The District is self-insured paying actual claims as incurred, so significant savings were recognized from this year's lower than anticipated claim volume and severity as well as cost savings from implementing new prescription drug contract pricing and high deductible, Medicaid Advantage and EGWP health plans.

Contract service costs were also less, at \$8.9 million below budget, due to the availability of grant funding for afterschool programming, private and public school student placements at lower than anticipated levels, and actual executed contract amounts less than budgeted estimates for various services including Assurance of Discontinuance, translation, social media, and police services contracts.

Additionally, BOCES service costs were \$953 thousand less than anticipated due to the closure of the BOCES Kasson Road facility that provided special education services to District students and differences between the actual and budgeted level of related services to be provided for students' individualized education programs (IEPs). Utilities costs were \$854 thousand lower with natural gas prices remaining at 10-year record lows and electric rates following suit through most of the first half of the fiscal year. Transportation costs were \$821 thousand less than anticipated for the year based on routing efficiencies obtained and lower than anticipated costs for the expanded Centro transportation.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Resources available for appropriation (revenues) excluding the use of fund balance were approximately \$200 thousand more than the final budgeted amount of \$396.1 million. The District had lower than anticipated State Aid mainly in the transportation aid expenditure reimbursement category. The District had higher than anticipated operating transfers in for indirect cost allocations from the School Food Service program and grants as the District received more grants with an indirect cost allocation than anticipated. This allocation is designed to help support the administrative costs associated with operating the School Food Service and grant funded programs.

For a more detailed comparison of budget to actual operating results by category, refer to the Required Supplementary Information Schedule of Revenues, Expenditures and Encumbrances – Budget and Actual for the Year Ended June 30, 2017.

## CAPITAL ASSETS

At June 30, 2017, the District had \$285.4 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 \$208 thousand or 0.1% from last year, as restated. The District completed the Building Condition Survey and finalized the Greystone project study phase transferring \$6.6 million from construction in progress to buildings and improvements and software and added an additional \$6.9 million to construction in progress as major renovations at various schools throughout the District are implemented under Phase II of the Joint Schools Construction Board school reconstruction program and the first Smart Schools Bond Act (SSBA) project begins.

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

	Governmental Activities		Percentage Change
	2016 (as restated)	2017	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	79	75	-5.1%
Buildings and Improvements	217,742	216,374	-0.6%
Furniture and Equipment	2,827	3,030	7.2%
Vehicles	1,328	1,457	9.7%
Software	2,412	2,984	23.7%
Construction in Progress	59,770	60,030	0.4%
Total	<u>\$ 285,638</u>	<u>\$ 285,430</u>	-0.1%

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



## DEBT ADMINISTRATION

At June 30, 2017, the District had \$130.8 million of bonds payable outstanding compared to \$143.6 million last year, a decrease of \$12.8 million or 8.9% for the principal payments made during the year. The District issued refunding bonds in the current year to refinance existing debt for a lower interest rate. As the District continues to renovate aging facilities, it is anticipated debt will increase in future years.

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

## CHALLENGES FACING THE DISTRICT

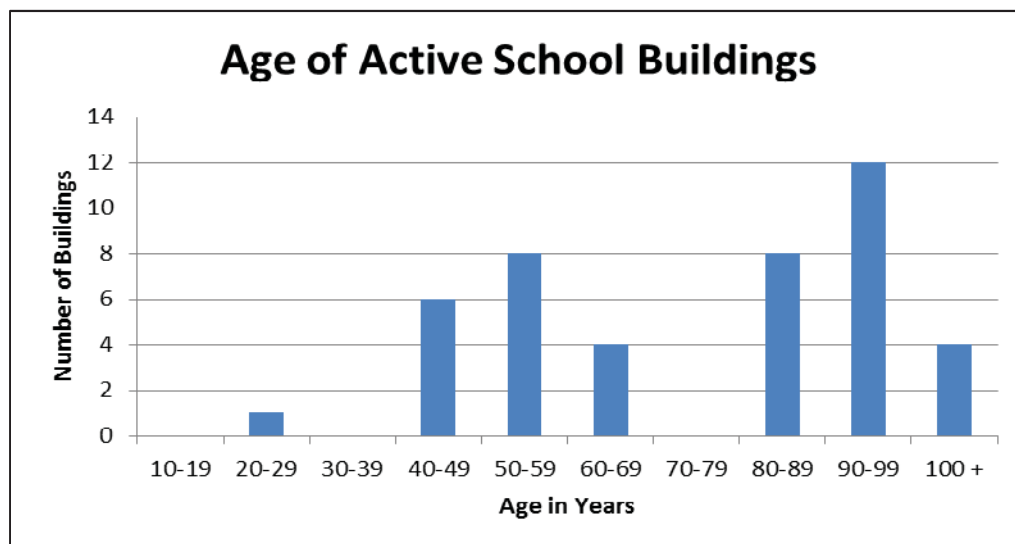
As a dependent school district without the authority to raise taxes or issue debt, the District is directly affected by Local and State economic conditions. Like many urban based districts, the Syracuse City School District operates in an environment of fluctuating enrollment, increasing costs of operations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

Additionally, a number of policy and funding changes are being deliberated at the Federal level that could potentially impact the District. Changes that are under consideration include: reductions and reallocations of major Federal education funding programs including funding for summer and after-school programs and teacher training; an increased focus on school choice including vouchers for private schools and additional charter school funding; modifications to the nation's health care system; and changes to the Federal Medicaid program. The District is closely monitoring developments at the Federal level so that any changes can be incorporated into both short and long-term financial planning.

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

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

**Table 5**  
**Age of Active Buildings**



## **CHALLENGES FACING THE DISTRICT (Continued)**

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

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

The State authorized the total cost of an initial group of projects not to exceed \$225 million. However, JSCB has elected to limit the cost impact of these projects by reducing the size of the initial phase to \$150 million.

During the 2009-2010 fiscal year, the first phase of roof replacement projects at Clary and Bellevue Academy at Shea were completed. During 2010-2011, the second phase of the roof replacement projects for Clary and Bellevue Academy at Shea were completed. In 2011-2012, construction began on major renovation projects at Central Tech, Dr. Weeks, H.W. Smith, and Fowler. During 2012-13, the Fowler, Dr. Weeks, and Central Tech project reached the substantial completion stage of construction. The H.W. Smith project was substantially complete in December 2013.

In April 2017, JSCB completed a refunding of its Phase I Series 2008 bonds in order to take advantage of favorable interest rates, realizing a net savings of \$3.4 million in debt service costs over the remaining life of the bond.

In May 2013, the Legislature approved an amended version of the Syracuse Cooperative School Reconstruction Act (JSCB Phase II) that authorizes a second phase of up to twenty school reconstruction projects for an amount not to exceed \$300 million. The JSCB Phase II bill was signed into law by the Governor in October 2013. Specific schools to be renovated are named in the legislation. Projects for these schools were to be recommended as part of a comprehensive planning process to be undertaken by the District. The planning process is completed with JSCB approving the Comprehensive Plan in December 2014 and the Office of the State Comptroller approving in June 2015. Design for the first seven Phase II projects is nearing completion and construction is expected to begin in spring 2018. In order to finance the initial design phase of JSCB Phase II projects, the City of Syracuse issued Bond Anticipation Notes (BANs) on behalf of JSCB. As of June 30, 2017, JSCB BANs in the amount of \$29.8 million were outstanding.

To support the District, the Syracuse City School District Educational Foundation (the-Foundation), an independent, non-profit, was formed in 2003 with the mission to supplement, support and enrich the student experience to prepare students for a successful future. The Foundation's grants program has successfully provided funding for a wide array of educational resources such as educational technology, class programming aides, books, tutorial programs, supplies, instructional software programs, equipment, and more.

## CHALLENGES FACING THE DISTRICT (Continued)

The City of Syracuse and County of Onondaga entered into an inter-municipal agreement on March 27, 2012 for the purpose of creating the Greater Syracuse Property Development Corporation, a not-for-profit corporation, operating as the Greater Syracuse Land Bank (Land Bank) under the New York Land Bank Act of 2011. The purpose of the Land Bank is to address problems regarding vacant and abandoned property in a coordinated manner and to further foster the development of such property and promote economic growth through the return of vacant, abandoned, and tax-delinquent properties to productive use. In the long term, the improvement of these properties has the potential to increase property tax assessment values and increase the related property tax levy revenue for the District. In the short term, when a property is purchased and ownership transferred to the Land Bank, the property becomes tax exempt and the value of the property is removed from the tax levy reducing the District's property tax revenue. The District's property tax revenue was reduced by approximately \$310 thousand in the current fiscal year for these transfers and other adjustments.

In New York, adequate and equitable funding has been challenged, resulting in a school based funding lawsuit specifically addressing the adequacy of funding for New York City based schools. Several courts, including the New York State Court of Appeals, have determined that the current funding formula in New York State does not provide adequate funding for New York City and therefore students are unable to receive a sound basic education. On November 20, 2006 the New York State Court of Appeals issued a decision indicating a lack of adequate funding for New York City Schools.

In April 2007, the New York State Legislature enacted the State Education Budget and Reform Act of 2007 (Education Act) to offer resources and aid to the highest-need students in the lowest-performing schools. The Legislature passed a budget for the 2008-09 school year that fully funded the aid increases contained in the Education Act. However, school aid was frozen in the 2009-10 budget due to the State's fiscal challenges, and remained frozen in the 2010-11 and 2011-12 school years. Modest increases in school aid were provided beginning in 2012-13 and have continued into 2017-18.

In February 2014, New Yorkers for Students' Educational Rights (NYSER) filed a lawsuit (*NYSER v. State of New York*) on behalf of a group of parents and students from across the State alleging that the State is not providing sufficient funds to schools to allow for all schools to provide the required sound basic education to all students throughout the State. The New York Court of Appeals ruled on this lawsuit in June 2017 determining that the lawsuit can only move forward to trial on behalf of students in New York City and Syracuse, as opposed to all students, because the lawsuit alleged specific deficiencies in these specific districts.

Also, ongoing is *Maisto v. State*, filed in 2008 by parents and students in eight small city school districts in New York alleging that the State is not providing sufficient funding to these districts to provide the required sound basic education to their students. In October 2017, the New York Court of Appeals reversed the original 2016 Supreme Court ruling to dismiss this case, allowing for the case to return to court for a retrial.

## **NEXT YEAR'S BUDGET**

In preparing the 2017-18 operating budget, the District faced several challenges including school receivership requirements, extended learning time and community schools initiatives, alternative education programming and systems of support, enhanced career and technical education programs, an increase in educational accountability, growing charter school enrollment including the opening of a new charter school with K-2 enrollment, and an overall increase in the District's operating costs.

The District's portion of the Property Tax Levy increased by less than 1% over the 2016-17 adopted budget and State aid increased by approximately 4%. Sales tax revenues are projected to decrease by 30%. The budget includes \$8.9 million in appropriated fund balance.

In order to balance the budget, the District will apply for a special apportionment provided pursuant to the New York State Laws of 2017 which allows school districts to accrue a portion of their subsequent year's State aid into the current fiscal year.

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

## **CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact:

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

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

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Pooled cash and cash equivalents held by City	\$ 33,212,873
Pooled cash and cash equivalents held by District	131,036
Pooled Restricted cash and cash equivalents held by City	34,939,953
Pooled Restricted cash and cash equivalents held by District	16,995
Receivables:	
State and Federal aid	64,905,219
Due from other governments	183,944
Due from City	3,812,613
Other	3,936,048
Inventories	1,616,052
Prepaid expenses	13,444
Capital assets, net of accumulated depreciation/ amortization	285,429,939
Total Assets	<u>428,198,116</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources- TRS Pension	118,179,149
Deferred outflows of resources- ERS Pension	8,957,003
Deferred charges	819,269
	<u>127,955,421</u>
<b>LIABILITIES</b>	
Payables:	
Accounts payable	22,597,331
Accrued expenses	5,196,725
Accrued payroll	2,458,360
Due to other governments	919,585
Accrued interest	1,059,765
Due to Fiduciary Funds	188,304
Bond anticipation notes	29,800,000
Long-term liabilities:	
Due and payable within one year:	
Bonds payable	11,230,185
Premium on bonds payable	842,299
Compensated absences payable	6,052,718
Due to retirement systems	24,046,768
Self-insured employee health plan claims	331,156
Self-insured workers' compensation claims	5,136,795
Lottery aid payable	1,016,667
Due and payable in more than one year:	
Bonds payable	119,540,561
Premium on bonds payable	7,695,351
Self-insured workers' compensation claims	31,757,080
Other postemployment benefits	486,332,866
Net pension liability	25,121,771
Lottery aid payable	18,033,333
	<u>799,357,620</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources- TRS Pension	9,039,622
Deferred inflows of resources- ERS Pension	2,254,473
	<u>11,294,095</u>
<b>NET POSITION</b>	
Net investment in capital assets	179,964,203
Restricted	11,690,293
Unrestricted (deficit)	<u>(446,152,673)</u>
Total Net Position	<u>\$ (254,498,177)</u>

The accompany notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	
General support	\$ 61,621,620	\$ -	\$ -	\$ (61,621,620)
Instruction	377,960,666	184,829	68,999,819	(308,776,018)
Pupil transportation	24,722,394	-	480,135	(24,242,259)
Community service	1,111,079	-	1,033,685	(77,394)
School food service program	13,978,080	273,972	14,942,310	1,238,202
Interest	6,583,454	-	-	(6,583,454)
	<u>\$ 485,977,293</u>	<u>\$ 458,801</u>	<u>\$ 85,455,949</u>	<u>(400,062,543)</u>
<b>GENERAL REVENUES</b>				
General property taxes				58,556,586
Nonproperty taxes				654,940
Use of money and property				262,915
Sale of property and compensation for loss				232,777
Miscellaneous				769,217
State and local sources				328,524,063
Federal sources				2,277,582
				<u>391,278,080</u>
Total General Revenues				<u>391,278,080</u>
Change in Net Position				(8,784,463)
Total Net Position - beginning of year				(281,544,747)
Prior Period Adjustment				<u>35,831,033</u>
Total Net Position - beginning of year, as restated				<u>(245,713,714)</u>
Total Net Position - end of year				<u>\$ (254,498,177)</u>

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>					
CASH:					
Pooled cash and cash equivalents held by City	\$ 33,212,873	\$ -	\$ -	\$ -	\$ 33,212,873
Pooled cash and cash equivalents held by District	131,036	-	-	-	131,036
Pooled restricted cash and cash equivalents held by City	1,923,128	-	29,617,850	3,398,975	34,939,953
Pooled restricted cash and cash equivalents held by District	-	-	-	16,995	16,995
RECEIVABLES:					
Due from other funds	4,610,262	-	-	10,962,674	15,572,936
State and Federal aid	45,728,574	17,938,356	-	1,238,289	64,905,219
Due from other governments	183,944	-	-	-	183,944
Due from JSCB	2,166,958	-	-	-	2,166,958
Due from the City	3,812,613	-	-	-	3,812,613
Other	290,167	3,615,153	-	30,728	3,936,048
INVENTORY	1,037,120	-	-	578,932	1,616,052
PREPAID EXPENSES	13,444	-	-	-	13,444
Total assets	<u>\$ 93,110,119</u>	<u>\$ 21,553,509</u>	<u>\$ 29,617,850</u>	<u>\$ 16,226,593</u>	<u>\$ 160,508,071</u>
<b>LIABILITIES</b>					
PAYABLES:					
Accounts payable	\$ 17,592,722	\$ 3,881,936	\$ -	\$ 1,122,673	\$ 22,597,331
Accrued expenses	4,391,385	-	805,340	-	5,196,725
Accrued payroll	1,787,365	558,536	-	112,459	2,458,360
Due to other governments	-	916,755	-	2,830	919,585
Due to other funds	-	15,761,240	-	-	15,761,240
Due to the District	-	-	2,166,958	-	2,166,958
NOTES PAYABLE:					
Bond anticipation note	-	-	29,800,000	-	29,800,000
OTHER LIABILITIES:					
Due to retirement systems	24,046,768	-	-	-	24,046,768
Self-insured workers' compensation claims	1,459,716	-	-	-	1,459,716
Total liabilities	<u>49,277,956</u>	<u>21,118,467</u>	<u>32,772,298</u>	<u>1,237,962</u>	<u>104,406,683</u>
<b>FUND BALANCE</b>					
NON-SPENDABLE	1,050,564	-	-	578,932	1,629,496
RESTRICTED	-	435,042	(3,154,448)	14,409,699	11,690,293
ASSIGNED	14,122,478	-	-	-	14,122,478
UNASSIGNED	28,659,121	-	-	-	28,659,121
Total fund balance	<u>43,832,163</u>	<u>435,042</u>	<u>(3,154,448)</u>	<u>14,988,631</u>	<u>56,101,388</u>
Total liabilities and fund balance	<u>\$ 93,110,119</u>	<u>\$ 21,553,509</u>	<u>\$ 29,617,850</u>	<u>\$ 16,226,593</u>	<u>\$ 160,508,071</u>

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

Total governmental fund balances	\$ 56,101,388
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	285,429,939
Deferred charges recorded as incurred in the funds	819,269
GASB 68 related government wide activity	
Deferred outflows of resources	127,136,152
Net pension liability	(25,121,771)
Deferred inflows of resources	(11,294,095)
Accrued interest not paid and therefore not reported in the funds	(1,059,765)
Long-term liabilities, including bonds payable, compensated absences and other employee benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(686,509,294)</u>
Net position of governmental activities	<u>\$ (254,498,177)</u>



**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 58,556,586	\$ -	\$ -	\$ -	\$ 58,556,586
Nonproperty taxes	654,940	-	-	-	654,940
Charges for services	184,829	-	-	-	184,829
Use of money and property	262,761	-	-	154	262,915
Sale of property and compensation for loss	232,777	-	-	-	232,777
Miscellaneous	769,217	-	-	-	769,217
State and local sources	327,268,491	30,996,578	-	1,627,750	359,892,819
Federal sources	1,563,970	39,517,061	713,612	13,716,558	55,511,201
Surplus food	-	-	-	853,574	853,574
Sales - School Food Service Program	-	-	-	273,972	273,972
Pass-through New York State funding from the District	-	-	11,826,463	-	11,826,463
<b>Total revenues</b>	<b>389,493,571</b>	<b>70,513,639</b>	<b>12,540,075</b>	<b>16,472,008</b>	<b>489,019,293</b>
<b>EXPENDITURES</b>					
General support	55,255,037	-	-	7,221,308	62,476,345
Instruction	285,513,075	70,699,999	-	-	356,213,074
Pupil transportation	22,721,568	491,966	-	-	23,213,534
Community service	-	1,059,155	-	-	1,059,155
Pass-through New York State funding to JSCB	11,826,463	-	-	-	11,826,463
Debt service:					
Principal	105,000	-	6,865,000	6,315,660	13,285,660
Interest	721,290	-	4,961,463	1,816,215	7,498,968
Debt issuance costs	-	-	439,315	-	439,315
Cost of sales	-	-	-	6,055,108	6,055,108
Capital outlay	-	-	5,194,204	1,707,407	6,901,611
<b>Total expenditures</b>	<b>376,142,433</b>	<b>72,251,120</b>	<b>17,459,982</b>	<b>23,115,698</b>	<b>488,969,233</b>
Excess (deficiency) of revenues over expenditures	13,351,138	(1,737,481)	(4,919,907)	(6,643,690)	50,060
<b>OTHER FINANCING SOURCES AND USES</b>					
BANs redeemed from appropriations	-	-	105,000	-	105,000
Premium on issuance of bond anticipation note	-	-	231,633	-	231,633
Proceeds from debt	-	-	-	3,500,000	3,500,000
Proceeds of refunding bonds	-	-	29,260,000	-	29,260,000
Premium on issuance of debt	-	-	-	367,608	367,608
Premium on refunding bonds	-	-	4,663,314	-	4,663,314
Deposit to escrow agent	-	-	(33,483,998)	-	(33,483,998)
Operating transfers in	6,765,831	3,954,765	-	8,798,812	19,519,408
Operating transfers out	(12,750,175)	(2,149,636)	(3,067,392)	(1,552,205)	(19,519,408)
<b>Total other sources (uses)</b>	<b>(5,984,344)</b>	<b>1,805,129</b>	<b>(2,291,443)</b>	<b>11,114,215</b>	<b>4,643,557</b>
Excess (deficiency) of revenues and other sources over Net change in fund balance	7,366,794	67,648	(7,211,350)	4,470,525	4,693,617
Fund balance - beginning of year	34,869,323	367,394	5,652,948	10,518,106	51,407,771
Prior period adjustment	1,596,046	-	(1,596,046)	-	-
Fund balance - beginning of year, as restated	36,465,369	367,394	4,056,902	10,518,106	51,407,771
Fund balance - end of year	\$ 43,832,163	\$ 435,042	\$ (3,154,448)	\$ 14,988,631	\$ 56,101,388

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

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Net Change in Fund Balance - Total Governmental Funds \$ 4,693,617

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

Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position. (9,677,680)

Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities. 9,468,934

Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 13,180,660

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 683,881

Some expenses reported in the statement of activities, such as compensated absences and other employee benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (22,366,563)

Pension income(expense) resulting from GASB 68 related pension actuary reporting is not recorded as income(expense) in the government funds but is recorded in the statement of activities. (460,388)

Payments of debt to an escrow agent are an other financing use in the governmental funds but a debt payment decreases long-term liabilities in the statement of net assets. 33,483,998

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 position. (32,760,000)

Premiums on debt are an other financing source in the governmental funds but are deferred and amortized over the life of the debt issued in the statement of net position. (5,030,922)

Change in Net Position of Governmental Activities \$ (8,784,463)

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**STATEMENT OF FIDUCIARY NET POSITION-FIDUCIARY FUNDS**  
**JUNE 30, 2017**

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	Private Purpose Trusts	<u>Agency</u>
<b>ASSETS</b>		
Restricted cash held by District	\$ 178,890	\$ 156,008
Due from other funds	<u>-</u>	<u>210,494</u>
Total assets	<u>178,890</u>	<u>366,502</u>
<b>LIABILITIES</b>		
Due to other funds	22,190	-
Other liabilities	<u>-</u>	<u>366,502</u>
Total liabilities	<u>22,190</u>	<u>\$ 366,502</u>
<b>NET POSITION</b>		
Held in trust for scholarships	<u>\$ 156,700</u>	

The accompanying notes are an integral part of these statements

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ 22,584
Total additions	<u>22,584</u>
<b>DEDUCTIONS</b>	
Loss on investment	4,393
Scholarships and awards	<u>22,190</u>
Total deductions	<u>26,583</u>
Change in net position	(3,999)
Net position - beginning of year	<u>160,699</u>
Net position - end of year	<u>\$ 156,700</u>

The accompanying notes are an integral part of these statements

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basis of Presentation

#### *Government-wide Financial Statements:*

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

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

#### *Fund Financial Statements:*

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

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

#### **General Fund**

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

#### **Special Aid Fund**

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

#### **Joint Schools Construction Board (JSCB) Blended Component Unit**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basis of Presentation (Continued)

The District reports the following governmental funds as non-major governmental funds:

#### **School Food Service Fund**

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

#### **Capital Projects Fund**

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

#### **Debt Service Fund**

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

#### **Permanent Fund**

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

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

#### **Private Purpose Trusts Fund**

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

#### **Agency Fund**

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

### C. Measurement Focus and Basis of Accounting

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus and Basis of Accounting (Continued)

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

### D. Revenue, Expenditures and Expenses

#### Property Taxes

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

#### Intergovernmental Revenues - Grants

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

#### Program Revenues

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

#### Expenditures/Expenses

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

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

Governmental Funds - By Character:

Current (further classified by function)

Debt Service  
Cost of Sales  
Capital Outlay

#### Indirect Expenses

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



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Revenue, Expenditures and Expenses (Continued)

#### **Interfund Transfers and Interfund Receivables and Payables**

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

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

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

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

#### **Restricted and Unrestricted Resources**

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

### E. Cash and Cash Equivalents

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

JSCB's cash and cash equivalents consist of restricted cash held for project expenditures/expenses and debt service payments, and the proceeds from bond sales can only be used for the stated purpose of the borrowing. All funds are held in trust in accordance with an indenture trust agreement.

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

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

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **E. Cash and Cash Equivalents (Continued)**

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the District's name. The District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

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

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

### **F. Restricted Assets**

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

### **G. Receivables**

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

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

### **H. Inventory and Prepaid Items**

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. Capital Assets (Fixed Assets)

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

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

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

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

### J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has \$127,955,421 in deferred outflows of resources which is comprised of TRS and ERS Pension amounts and deferred losses on the early retirement of debt at June 30, 2017 as described in Note 5 and Note 7, respectively. The District has \$11,294,095 in deferred inflows of resources which is comprised of TRS and ERS Pension amounts at June 30, 2017 as described in Note 7.

### K. Compensated Absences

Compensated absences consist of unpaid vested annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, employees may contractually receive a payment based on unused accumulated sick leave. District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with governmental accounting standards, an accrual for vested sick leave and vacation time is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractual provisions.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Other Benefits

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. See Note 8 for further information. There are currently approximately 7,100 individuals receiving benefits under the plan.

### M. Long-Term Obligations

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

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

### N. Equity Classifications

#### *Government-wide Statements*

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

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

Restricted net position includes the following:

Special Aid Fund	\$	435,042
Joint Schools Construction Board (JSCB)		(3,154,448)
School Food Service Fund		8,337,920
Capital Projects		5,518,433
Debt Service		536,351
Permanent Fund		<u>16,995</u>
Total restricted net position	\$	<u>11,690,293</u>

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## N. Equity Classifications (Continued)

### *Government-wide Statements (Continued)*

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

### *Fund Statements*

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

- a. Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory and prepaid expenses recorded in the General Fund of \$1,050,564 and the inventory in the School Food Service Fund of \$578,932.
- b. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The definition of restricted fund balance is the same as restricted net position.
- c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2017.
- d. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Chief Financial Officer has been authorized by the Board of Education to assign fund balance. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. As of June 30, 2017, the District's General Fund encumbrances amounted to \$2,022,478, classified as follows:

General Fund encumbrances:	
General Support	\$ 703,563
Instruction	1,051,161
Transportation	<u>267,754</u>
Total General Fund encumbrances	<u>\$ 2,022,478</u>

Appropriated fund balance designated during the budgetary process for use to fund operating expenditures in the next fiscal year is also included in Assigned Fund Balance. The District appropriated \$8,900,000 of fund balance to be used to fund fiscal year 2017-2018 operating expenditures. The District also assigned \$3,200,000 to fund the estimated November 2019 JSCB debt service payment for Phase II Projects.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. Equity Classifications (Continued)

#### *Fund Statements (Continued)*

- e. Unassigned - Includes all other General Fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District. In addition, unassigned fund balance includes any remaining negative fund balance for funds other than the General Fund.

#### *Order of Use of Fund Balance*

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

### O. Economic Dependency

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

### P. Use of Estimates

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

## 2. BUDGETS AND BUDGETARY ACCOUNTING

### Budget Policies

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

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

## 3. INTERFUND TRANSACTIONS

To improve cash management, most disbursements are made from a pooled account in the General Fund. Interfund receivables and payables exist primarily due to this cash management practice, as well as normal delays in processing interfund transfers and reimbursement. Interfund balances and transfers are short term in nature and are typically repaid in less than one year. The following schedule summarizes interfund transactions during the year ended June 30, 2017 and balances at June 30, 2017:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 6,777,220	\$ -	\$ 6,765,831	\$ 12,750,175
Special aid	-	15,761,240	3,954,765	2,149,636
JSCB	-	2,166,958	-	3,067,392
School food service	8,210,503	-	-	1,548,803
Capital projects	2,215,820	-	663,535	3,402
Debt service	536,351	-	8,135,277	-
Private purpose trust	-	22,190	-	-
Agency	210,494	-	-	-
Total	<u>\$ 17,950,388</u>	<u>\$ 17,950,388</u>	<u>\$ 19,519,408</u>	<u>\$ 19,519,408</u>

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017:

	Beginning Balance at <u>June 30, 2016</u>	Prior period adjustment	As restated Balance at <u>June 30, 2016</u>	Additions/ Transfers	Disposals/ Transfers	Balance at <u>June 30, 2017</u>
Land (not depreciable)	\$ 1,480,325	\$ -	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	3,981,647	-	3,981,647	-	-	3,981,647
Buildings and improvements	410,254,403	-	410,254,403	10,345,713	-	420,600,116
Furniture and equipment	14,053,291	-	14,053,291	811,521	(4,794,728)	10,070,084
Vehicles	4,992,092	-	4,992,092	726,037	(682,655)	5,035,474
Software	6,700,080	-	6,700,080	1,481,976	(662,171)	7,519,885
Construction in progress (not depreciable)	<u>23,938,714</u>	<u>35,831,033</u>	<u>59,769,747</u>	<u>6,901,610</u>	<u>(6,641,326)</u>	<u>60,030,031</u>
Total capital assets	<u>465,400,552</u>	<u>35,831,033</u>	<u>501,231,585</u>	<u>20,266,857</u>	<u>(12,780,880)</u>	<u>508,717,562</u>
Less: Accumulated depreciation/amortization:						
Land improvements	(3,902,532)	-	(3,902,532)	(4,143)	-	(3,906,675)
Buildings and improvements	(192,512,249)	-	(192,512,249)	(11,714,861)	-	(204,227,110)
Furniture and equipment	(11,226,306)	-	(11,226,306)	(608,287)	4,794,728	(7,039,865)
Vehicles	(3,664,095)	-	(3,664,095)	(596,606)	682,655	(3,578,046)
Software	<u>(4,287,718)</u>	<u>-</u>	<u>(4,287,718)</u>	<u>(910,380)</u>	<u>662,171</u>	<u>(4,535,927)</u>
Total accumulated depreciation/ amortization	<u>(215,592,900)</u>	<u>-</u>	<u>(215,592,900)</u>	<u>(13,834,277)</u>	<u>6,139,554</u>	<u>(223,287,623)</u>
Capital assets, net	<u>\$ 249,807,652</u>	<u>\$ 35,831,033</u>	<u>\$ 285,638,685</u>	<u>\$ 6,432,580</u>	<u>\$ (6,641,326)</u>	<u>\$ 285,429,939</u>

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

Depreciation/amortization expense was charged as follows:

Instruction	\$ 7,591,851
Support service:	
General	1,331,538
Pupil transportation	494,742
School food service	<u>50,803</u>
Total depreciation/amortization expense	<u>\$ 9,468,934</u>



## 5. CAPITAL INDEBTEDNESS

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

Long-term liability activity for the year ended June 30, 2017:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2017</u>	Amount due <u>in one year</u>	Due in more than <u>one year</u>
Bonds payable:						
Bonds payable	\$ 143,556,406	\$ 32,760,000	\$ 45,545,660	\$ 130,770,746	\$ 11,230,185	\$ 119,540,561
Premiums on bonds payable	<u>5,457,080</u>	<u>5,030,922</u>	<u>1,950,352</u>	<u>8,537,650</u>	<u>842,299</u>	<u>7,695,351</u>
Total bonds payable	<u>149,013,486</u>	<u>37,790,922</u>	<u>47,496,012</u>	<u>139,308,396</u>	<u>12,072,484</u>	<u>127,235,912</u>
Other liabilities:						
Compensated absences payable	4,618,337	11,378,417	9,944,036	6,052,718	6,052,718	-
Other postemployment benefits	462,086,271	42,787,319	18,540,724	486,332,866	-	486,332,866
Due to retirement systems	26,356,978	23,981,145	26,291,355	24,046,768	24,046,768	-
Self-insurance health plan claims	1,394,402	54,172,537	55,235,783	331,156	331,156	-
Self-insurance workers' compensation claims	38,104,417	4,094,799	5,305,341	36,893,875	5,136,795	31,757,080
Net pension liability	21,238,050	3,883,721	-	25,121,771	-	25,121,771
Lottery aid payable	<u>20,066,667</u>	<u>-</u>	<u>1,016,667</u>	<u>19,050,000</u>	<u>1,016,667</u>	<u>18,033,333</u>
Total other liabilities	<u>573,865,122</u>	<u>140,297,938</u>	<u>116,333,906</u>	<u>597,829,154</u>	<u>36,584,104</u>	<u>561,245,050</u>
Long-term liabilities	<u>\$ 722,878,608</u>	<u>\$ 178,088,860</u>	<u>\$ 163,829,918</u>	<u>\$ 737,137,550</u>	<u>\$ 48,656,588</u>	<u>\$ 688,480,962</u>

Payments on bonds payable, with the exception of JSCB, 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 will be liquidated by the General Fund.

### Revenue and Bond Anticipation Notes Payable

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

**5. CAPITAL INDEBTEDNESS (Continued)**

**Revenue and Bond Anticipation Notes Payable (Continued)**

The District's short-term debt activity for the year ended June 30, 2017:

	Balance at <u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2017</u>
Revenue anticipation notes	\$ _____ -	\$ <u>68,439,000</u>	\$ <u>68,439,000</u>	\$ _____ -

The JSCB's short-term debt activity for the year ended June 30, 2017:

	Balance at <u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2017</u>
Bond anticipation notes	\$ <u>7,905,000</u>	\$ <u>31,800,000</u>	\$ <u>9,905,000</u>	\$ <u>29,800,000</u>

**Bonds Payable**

Bonds payable included in the accompanying Statement of Net Position represent obligations issued in the name of the City for District purposes and the City of Syracuse Industrial Development Agency for JSCB purposes. These long-term liabilities are full faith and credit debt of the District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the District. Bonds outstanding at June 30, 2017 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>
May 15, 2014	2019	2.000 - 5.000	\$1,095,000
July 28, 2005	2019	2.625 - 5.000	32,665
September 30, 2010	2019	2.000 - 4.000	3,015,000
July 28, 2005	2021	3.000 - 5.000	3,515,000
June 3, 2009	2022	4.000 - 5.000	236,676
September 30, 2010	2022	2.000 - 4.000	4,655,000
June 13, 2012	2022	2.000 - 5.000	478,000
June 15, 2010	2023	2.500 - 5.000	278,405
June 15, 2008	2024	3.250 - 5.000	7,200,000
May 15, 2014	2025	2.000 - 5.000	5,850,000
May 28, 2015	2027	4.000 - 5.000	6,255,000
December 23, 2010	2027	3.000 - 6.000	23,195,000
July 12, 2011	2027	5.428	15,000,000
July 12, 2011	2028	3.000 - 5.000	20,730,000
June 1, 2007	2030	4.000 - 5.000	6,475,000
April 20, 2017	2030	3.000 - 5.000	29,260,000
June 23, 2017	2032	3.000 - 5.000	<u>3,500,000</u>
Totals			<u>\$ 130,770,746</u>

## 5. CAPITAL INDEBTEDNESS (Continued)

### Bonds Payable (Continued)

On April 20, 2017, the District issued \$29,260,000 in SIDA revenue bonds with an average coupon rate of 4.68% to advance refund \$32,365,000 of outstanding JSCB Series 2008A SIDA bonds with interest rates of 4.00% - 5.25%. The net proceeds of \$33,483,998 (including a premium of \$4,663,314 and \$439,316 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. This refunding decreases total debt service payments over the next 14 years by \$3,441,725 resulting in an economic gain (difference between the present values of the debt service payment on the old and new debt) of approximately \$3,346,000.

Bonds payable as of June 30, 2017 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 11,230,185	\$ 6,018,773	\$ 17,248,958
2019	13,728,863	5,506,250	19,235,113
2020	12,885,715	4,927,683	17,813,398
2021	13,428,191	4,338,703	17,766,894
2022	13,006,860	3,767,488	16,774,348
2023 – 2027	58,730,932	11,239,986	69,970,918
2028 – 2032	<u>7,760,000</u>	<u>480,331</u>	<u>8,240,331</u>
Totals	<u>\$ 130,770,746</u>	<u>\$ 36,279,214</u>	<u>\$ 167,049,960</u>

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

Interest paid - capital indebtedness	\$ 7,267,335
Less: Interest accrued in the prior year	(1,243,966)
Amortization of bond premiums	(842,299)
Plus: Deferred loss on refunding	342,619
Interest accrued in the current year	<u>1,059,765</u>
Total expense	<u>\$ 6,583,454</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, 2017 were approximately \$920,000. The minimum future non-cancelable operating lease payments as of June 30, 2017 are as follows:

	\$ 847,977
2019	608,351
2020	304,772
2021	270,837
Thereafter	<u>130,923</u>
Total	<u>\$ 2,162,860</u>

## 7. PENSION PLANS

### New York State and Local Employees' Retirement System (ERS)

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

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

#### **Contributions**

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

	<u>NYSERS</u>
2017	\$ 5,408,869
2016	\$ 5,655,864
2015	\$ 5,816,753

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the NYSERS' fiscal years ending March 31, 2005 through 2008.

## 7. PENSION PLANS (Continued)

### New York State and Local Employees' Retirement System (ERS) (Continued)

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. All amounts due were remitted in full to NYSERS. No portion of the District's retirement bill was amortized or bonded as of June 30, 2017.

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

At June 30, 2017, the District reported a net pension liability of \$12,934,726 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the District's proportion was 0.1376588% percent.

## 7. PENSION PLANS (Continued)

### New York State and Local Employees' Retirement System (ERS) (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$7,328,207. At June 30, 2017, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 324,132	\$ 1,964,211
Changes in assumptions	4,418,976	-
Net difference between projected and actual earnings on pension plan investments	2,583,589	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	217,816	290,262
Contributions subsequent to the measurement date	1,412,490	-
<b>Total</b>	<b>\$ 8,957,003</b>	<b>\$ 2,254,473</b>

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

2018	\$ 2,374,476
2019	2,374,476
2020	2,240,060
2021	<u>(1,698,972)</u>
	<u>\$ 5,290,040</u>

#### **Actuarial Assumptions**

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience period April 1, 2010 through March 31, 2015 study of the Society of Actuaries Scale MP-2014
Mortality improvement	Society of Actuaries Scale MP-2014
Investment rate of return	7.0% compounded annually, net of investment expenses

## 7. PENSION PLANS (Continued)

### New York State Local Employees' Retirement System (ERS) (Continued)

#### **Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

#### **Long Term Expected Rate of Return**

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.75
Real Estate	10.0	5.80
Absolute Return	2.0	4.00
Opportunistic Portfolio	3.0	5.89
Real Assets	3.0	5.54
Bonds & Mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation-Indexed Bonds	<u>4.0</u>	1.50

100%

#### **Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 41,310,952	\$ 12,934,726	\$ (11,057,320)

## 7. PENSION PLANS (Continued)

### New York State and Local Employees' Retirement System (ERS) (Continued)

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 177,400,586,000	\$ 244,207,518	0.1376588%
Net position	(168,004,363,000)	(231,272,790)	0.1376588%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 12,934,728</u>	0.1376588%
Fiduciary net position as a percentage of total pension liability	94.7%	94.7%	

### New York State Teachers' Retirement System (NYSTRS)

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

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

#### **Contributions**

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

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



**7. PENSION PLANS (Continued)**

New York State Teachers' Retirement System (NYSTRS) (Continued)

**Contributions (Continued)**

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

	<u>NYSTRS</u>
2017	\$ 25,031,917
2016	\$ 29,174,990
2015	\$ 27,027,205

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

At June 30, 2017, the District reported a net pension liability of \$12,187,045 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 the District's proportionate share was 1.137868%, which was a decrease from the 1.051631% proportionate share measured at June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$19,423,533. At June 30, 2017 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,959,036
Changes in assumptions	69,425,168	-
Net difference between projected and actual earnings on pension plan investments	27,402,886	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	563,021	5,080,586
Contributions subsequent to the measurement date	20,788,074	-
<b>Total</b>	<u>\$ 118,179,149</u>	<u>\$ 9,039,622</u>

## 7. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (NYSTRS) (Continued)

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

The District recognized \$118,179,149 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date that are recognized as a reduction to the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan year ending:

2017	\$ 7,732,665
2018	7,732,665
2019	29,014,503
2020	22,393,104
2021	9,867,513
Thereafter	<u>11,611,003</u>
	<u>\$ 88,351,453</u>

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. Total pension liability at the June 30, 2014 measurement date, was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

## 7. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (NYSTRS) (Continued)

#### **Actuarial Assumptions (Continued)**

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected expected real rate of return in %</u>
Domestic Equity	37.0	6.1
International Equity	18.0	7.3
Real Estate	10.0	5.4
Alternative Investments	7.0	9.2
Domestic Fixed Income Securities	17.0	1.0
Global Fixed Income Securities	2.0	0.8
Mortgages	8.0	3.1
Short-term fixed income	<u>1.0</u>	0.1
	<u>100%</u>	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the District using the discount rate of 7.50 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 159,007,704	\$ 12,187,045	\$(110,958,427)

**7. PENSION PLANS (Continued)**

New York State Teachers' Retirement System (NYSTRS) (Continued)

**Pension Plan Fiduciary Net Position**

The components of the collective net pension liability (asset) of the participating school districts as of June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184,039	\$ 1,235,465,032	1.1378680%
Net position	<u>(107,506,142,099)</u>	<u>(1,223,277,992)</u>	1.1378680%
Net pension liability (asset)	\$ 1,071,041,940	\$ 12,187,041	1.1378680%
Fiduciary net position as a percentage of total pension liability	99.01%	99.01%	

**8. OTHER POSTEMPLOYMENT BENEFITS**

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

**Plan Description**

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

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

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

## 8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

### Funding Policy

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

For the year ended June 30, 2017, District contributions for retiree healthcare plan costs, net of retiree contributions of \$1.2 million, amounted to approximately \$18.5 million.

### Annual OPEB Cost

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and the amortized amount of any unfunded actuarial liabilities (UAAL) over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 51,026,363
Interest on net OPEB obligations	18,483,451
Adjustment to annual required contribution	<u>(26,722,495)</u>
Annual OPEB cost	42,787,319
Contributions made	<u>(18,540,724)</u>
Increase in net OPEB obligation	24,246,595
Net OPEB obligation - beginning of year	<u>462,086,271</u>
Net OPEB obligation - end of year	<u>\$ 486,332,866</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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, 2015	\$ 80,461,994	31.06%	\$ 444,412,719
June 30, 2016	\$ 41,107,227	57.01%	\$ 462,086,271
June 30, 2017	\$ 42,787,319	43.33%	\$ 486,332,866

### Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$603 million and there were no plan assets. The covered payroll (annual payroll of active employees covered by the plan) was \$228 million, and the ratio of the liability to the annual covered payroll was 264%.

## 8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

### Funded Status and Funding Progress (Continued)

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

### Actuarial Methods and Assumptions

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

In the June 30, 2017 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is based on the portfolio of the District's general assets used to pay these benefits and an annual health care cost trend rate of 7.25% initially, decreasing to 3.89% after fifty eight years for Pre-65 individuals and 5.70% initially, decreasing to 3.89% for Post-65 individuals after fifty eight years. The prescription cost trend begins at 10.50% initially and decreases to 3.89% after fifty eight years. The Medicare Part B cost trend begins at 5.70% initially and decreases to 3.89% after fifty eight years. Both rates include a 2.25% inflation assumption. The UAAL is being amortized based on a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2017 was 30 years.

## 9. CONTINGENCIES AND COMMITMENTS

The District may be subject to lawsuits in the ordinary conduct of its affairs. The District does not believe any outstanding items are likely to have a material, adverse effect on the financial statements at June 30, 2017.

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

The District has a potential liability for employees who have not entered into the Retirement System due to the fact that they were never offered the right to join. Any potential liability relating to this contingency is not determinable at June 30, 2017

## 9. CONTINGENCIES AND COMMITMENTS (Continued)

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

## 10. SELF-INSURANCE

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

The following represents changes in those aggregate liabilities for the year ended June 30, 2017:

	<u>Medical</u>	<u>Workers' Compensation</u>
July 1, 2016	\$ 1,394,402	\$ 38,104,417
Claims in current year, net of payments for all claims	<u>(1,063,246)</u>	<u>(1,210,542)</u>
June 30, 2017	<u>\$ 331,156</u>	<u>\$ 36,893,875</u>

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.

## 11. FUTURE CHANGES IN ACCOUNTING STANDARDS

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 6, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments for Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

## **11. FUTURE CHANGES IN ACCOUNTING STANDARDS (Continued)**

In June 2017, GASB issued Statement No. 87, Leases. The Statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

## **12. SUBSEQUENT EVENTS**

On September 27, 2017, the JSCB Board and the District Board approved initial Phase II projects not to exceed \$82,000,000.

On October 5, 2017, the District issued \$51,805,000 in Revenue Anticipation Notes at 2.25% maturing on June 30, 2018 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 in August 21, 2017.

## **13. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2017, the District determined that financial reporting errors were made relating to the carrying value of capital assets and capitalized interest on the statement of net position. In accordance with Generally Accepted Accounting Principles, corrections of financial reporting errors are made as an adjustment to the opening fund balance for the year in which the errors are identified. Accordingly, the District made a prior period adjustment to increase the carrying value of the District's capital assets and net position at July 1, 2016 in the amount \$35,831,033 on the government-wide financial statements.

During the year ended June 30, 2017, the District determined that financial reporting for debt payments and interest in prior years would be corrected. In accordance with Generally Accepted Accounting Principles, corrections of financial reporting errors are made as an adjustment to the opening fund balance for the year in which the correction is identified. Accordingly, the District made a prior period adjustment to decrease the carrying value of the JSCB's fund financial statements and increase the General Fund's fund financial statements at July 1, 2016 in the amount \$1,596,046.



**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES-  
BUDGET AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund						Budget Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	Add: Current Year Encumbrances	Total Current Year Expenditures and Encumbrances	Budget Variance Favorable (Unfavorable)	
	Original	Final					
<b>REVENUES</b>							
General property taxes	\$ 58,504,077	\$ 58,504,077	\$ 58,556,586	\$ -	\$ 58,556,586	\$ 52,509	
Nonproperty taxes	920,000	920,000	654,940	-	654,940	(265,060)	
Charges for services	150,000	150,000	184,829	-	184,829	34,829	
Use of money and property	261,000	261,000	262,761	-	262,761	1,761	
Sale of property and compensation for loss	27,100	27,100	232,777	-	232,777	205,677	
Miscellaneous	1,190,000	1,190,000	769,217	-	769,217	(420,783)	
State and local sources	328,095,496	328,095,496	327,268,491	-	327,268,491	(827,005)	
Federal sources	2,161,325	2,161,325	1,563,970	-	1,563,970	(597,355)	
Total revenues	391,308,998	391,308,998	389,493,571	-	389,493,571	(1,815,427)	
<b>OTHER SOURCES</b>							
Operating transfers in	4,750,000	4,750,000	6,765,831	-	6,765,831	2,015,831	
Total revenues and other sources	396,058,998	396,058,998	396,259,402	-	396,259,402	200,404	
<b>EXPENDITURES AND ENCUMBRANCES</b>							
General government support	62,443,273	62,443,273	55,255,037	703,563	55,958,600	6,484,673	
Instruction	301,234,275	301,234,275	285,513,075	1,051,161	286,564,236	14,670,039	
Pupil transportation	23,422,710	23,422,710	22,721,568	267,754	22,989,322	433,388	
Pass-through New York State funding to JSCB	11,724,469	11,724,469	11,826,463	-	11,826,463	(101,994)	
Debt Service	360,000	360,000	826,290	-	826,290	(466,290)	
Total expenditures and encumbrances	399,184,727	399,184,727	376,142,433	2,022,478	378,164,911	21,019,816	
<b>OTHER USES</b>							
Operating transfers out	12,171,344	12,171,344	12,750,175	-	12,750,175	(578,831)	
Total expenditures and other uses	411,356,071	411,356,071	388,892,608	2,022,478	390,915,086	20,440,985	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES</b>	\$ (15,297,073)	\$ (15,297,073)	\$ 7,366,794	\$ (2,022,478)	\$ 5,344,316	\$ 20,641,389	

See independent auditors report.

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2015	7/1/2013	-	\$ 1,180,618,192	\$ 1,180,618,192	0.00%	\$ 203,183,860	581.06%
6/30/2016	7/1/2015	-	\$ 552,793,454	\$ 552,793,454	0.00%	\$ 226,984,926	243.54%
6/30/2017	7/1/2015	-	\$ 602,635,036	\$ 602,635,036	0.00%	\$ 228,301,311	263.96%

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.1376688%	0.1323220%	0.1295850%							
Proportionate share of the net pension liability (asset)	\$ 12,935	\$ 21,238	\$ 4,378							
Covered-employee payroll	\$ 39,296	\$ 37,080	\$ 33,468							
Proportionate share of the net pension liability (asset)	32.92%	57.28%	13.08%							
as a percentage of its covered-employee payroll	94.70%	90.68%	97.95%							
Plan fiduciary net position as a percentage of the total pension liability (asset)										

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	1.137868%	1.051631%	1.072093%							
Proportionate share of the net pension liability (asset)	\$ 12,187	\$ (109,231)	\$ (119,425)							
Covered-employee payroll	\$ 175,373	\$ 157,918	\$ 158,365							
Proportionate share of the net pension liability (asset)	6.95%	-69.17%	-75.41%							
as a percentage of its covered-employee payroll	99.01%	110.46%	111.48%							
Plan fiduciary net position as a percentage of the total pension liability (asset)										

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

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 5,409	\$ 5,656	\$ 5,817							
Contributions in relation to the contractually required contribution	5,409	5,656	5,817							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$39,296	\$37,080	\$33,468							
Contributions as a percentage of covered-employee payroll	13.76%	15.25%	17.38%							
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 23,283	\$ 27,692	\$ 25,734							
Contributions in relation to the contractually required contribution	23,283	27,692	25,734							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 175,373	\$ 157,918	\$ 158,365							
Contributions as a percentage of covered-employee payroll	13.28%	17.54%	16.25%							

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

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

**SUPPLEMENTARY INFORMATION**

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Pooled restricted cash and cash equivalents held by City	\$ -	\$ 3,398,975	\$ -	\$ -	\$ 3,398,975
Pooled restricted cash and cash equivalents held by District	-	-	-	16,995	16,995
Receivables:					
Due from other funds	8,210,503	2,215,820	536,351	-	10,962,674
State and Federal aid receivables	1,118,911	119,378	-	-	1,238,289
Other	30,728	-	-	-	30,728
Inventory	<u>578,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,932</u>
Total assets	<u>\$ 9,939,074</u>	<u>\$ 5,734,173</u>	<u>\$ 536,351</u>	<u>\$ 16,995</u>	<u>\$ 16,226,593</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 906,933	\$ 215,740	\$ -	\$ -	\$ 1,122,673
Accrued payroll	112,459	-	-	-	112,459
Due to other governments	<u>2,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,830</u>
Total liabilities	<u>1,022,222</u>	<u>215,740</u>	<u>-</u>	<u>-</u>	<u>1,237,962</u>
<b>FUND BALANCE</b>					
Non-spendable	578,932	-	-	-	578,932
Restricted	<u>8,337,920</u>	<u>5,518,433</u>	<u>536,351</u>	<u>16,995</u>	<u>14,409,699</u>
Total fund balances	<u>8,916,852</u>	<u>5,518,433</u>	<u>536,351</u>	<u>16,995</u>	<u>14,988,631</u>
Total liabilities and fund balances	<u>\$ 9,939,074</u>	<u>\$ 5,734,173</u>	<u>\$ 536,351</u>	<u>\$ 16,995</u>	<u>\$ 16,226,593</u>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-NONMAJOR GOVERNEMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Use of money and property	\$ 26	\$ -	\$ 116	\$ 12	\$ 154
State and local sources	372,178	1,255,572	-	-	1,627,750
Federal sources	13,716,558	-	-	-	13,716,558
Surplus food	853,574	-	-	-	853,574
Sales - School Food Service Program	273,972	-	-	-	273,972
<b>Total revenues</b>	<b>15,216,308</b>	<b>1,255,572</b>	<b>116</b>	<b>12</b>	<b>16,472,008</b>
<b>EXPENDITURES</b>					
General Support	7,221,308	-	-	-	7,221,308
Principal	-	-	6,315,660	-	6,315,660
Interest	-	-	1,816,215	-	1,816,215
Cost of sales	6,055,108	-	-	-	6,055,108
Capital outlay	-	1,707,407	-	-	1,707,407
<b>Total expenditures</b>	<b>13,276,416</b>	<b>1,707,407</b>	<b>8,131,875</b>	<b>-</b>	<b>23,115,698</b>
Excess (deficiency) of revenues over expenditures	1,939,892	(451,835)	(8,131,759)	12	(6,643,690)
<b>OTHER FINANCING SOURCES AND USES</b>					
Proceeds from debt	-	3,500,000	-	-	3,500,000
Premium on issuance of debt	-	-	367,608	-	367,608
Operating transfers in	-	663,535	8,135,277	-	8,798,812
Operating transfers out	(1,548,803)	(3,402)	-	-	(1,552,205)
<b>Total other financing sources (uses)</b>	<b>(1,548,803)</b>	<b>4,160,133</b>	<b>8,502,885</b>	<b>-</b>	<b>11,114,215</b>
Net change in fund balances	391,089	3,708,298	371,126	12	4,470,525
Fund balances - beginning of year	8,525,763	1,810,135	165,225	16,983	10,518,106
Fund balances - end of year	<u>\$ 8,916,852</u>	<u>\$ 5,518,433</u>	<u>\$ 536,351</u>	<u>\$ 16,995</u>	<u>\$ 14,988,631</u>

The accompanying notes are an integral part of these schedules



CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK  
(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)  
CAPITAL PROJECTS FUND SCHEDULE OF PROJECT EXPENDITURES (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Expenditures to Date				Unexpended (Overexpended) Balance	Methods of Financing			Fund Balance June 30, 2017				
	Original Appropriation	Revised Appropriation	Prior Years	Current Year		Projects Closed	Total	Proceeds of Obligations		State Aid	Local Sources	Total	
Building Condition Survey	\$ 1,100,000	\$ -	\$ 712,570	\$ 182,158	\$ -	\$ 894,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Greystone Building	36,000,000	-	5,746,598	-	-	5,746,598	-	-	-	-	-	-	-
Budget Renovations	36,000,000	36,000,000	-	-	36,000,000	-	-	-	-	500,000	500,000	-	500,000
SSBA - SSIP1	1,370,404	1,370,404	-	1,255,573	114,831	-	1,255,573	-	1,255,573	-	1,255,573	-	1,255,573
Henninger Field Renovations	2,600,000	2,600,000	-	93,289	2,506,711	-	93,289	2,600,000	-	-	2,600,000	-	2,506,711
All other various	1,850,000	1,850,000	-	176,387	1,673,613	-	176,387	900,000	-	1,611,722	2,511,722	-	2,511,722
<b>TOTAL</b>	<b>\$ 78,920,404</b>	<b>\$ 41,820,404</b>	<b>\$ 6,459,168</b>	<b>\$ 1,707,407</b>	<b>\$ 40,295,155</b>	<b>\$ 6,641,326</b>	<b>\$ 1,525,249</b>	<b>\$ 3,500,000</b>	<b>\$ 1,255,573</b>	<b>\$ 2,111,722</b>	<b>\$ 6,867,295</b>	<b>\$ -</b>	<b>\$ 5,518,433</b>

**CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)**  
**NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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Capital assets, net		\$ 285,429,939
Add:		
Deferred loss on early retirement of debt		819,269
Deduct:		
Premium on bonds payable	8,537,650	
Short-term portion of bonds payable	11,230,185	
Long-term portion of bonds payable	119,540,561	
Less: unspent bond proceeds	(33,015,761)	
Less: bond proceeds not related to capital assets	<u>(7,630)</u>	<u>(106,285,005)</u>
Net investment in capital assets		<u>\$ 179,964,203</u>

See the accompanying independent auditor's report

**REQUIRED REPORTS UNDER UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 14, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City School District of Syracuse, New York (the School District), a blended component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 14, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses (2017-001) that we consider a significant deficiency.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**Compliance and Other Matters**

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

**The School District's Response to Findings**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Bonadio & Co., LLP

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 14, 2017

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

**Report on Compliance for Each Major Federal Program**

We have audited the City School District of Syracuse, New York's (the School District), a blended component unit of the City of Syracuse, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2017. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**  
(Continued)

**Report on Internal Control Over Compliance**

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

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

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

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

Bonadio & Co., LLP

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed-through NYS Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	\$ <u>853,574</u>
Cash Assistance			
School Breakfast Program	10.553	N/A	<u>3,912,977</u>
National School Lunch Program	10.555	N/A	7,977,402
After School Snack Program	10.555	N/A	<u>822,382</u>
Total National School Lunch Program			<u>8,799,784</u>
Child and Adult Care Food Program	10.558	N/A	<u>141,787</u>
Summer Food Service Program for Children	10.559	N/A	<u>480,687</u>
Total Cash Assistance			<u>13,335,235</u>
Total Child Nutrition Cluster			14,188,809
Fresh Fruit and Vegetable Program	10.582	0004170017	<u>631,368</u>
<b>Total U.S. Department of Agriculture</b>			<u>14,820,177</u>
<b>U.S. Department of Labor</b>			
Passed-through Onondaga Community College:			
Pathways to Careers	17.720		<u>17,825</u>
<b>Total U.S. Department of Labor</b>			<u>17,825</u>
<b>Environmental Protection Agency</b>			
Passed-through Onondaga Environmental Institute:			
Environmental Education Grants	66.951		<u>1,763</u>
<b>Total Environmental Protection Agency</b>			<u>1,763</u>
<b>U.S. Department of Education</b>			
Passed-through Onondaga Cortland Madison Counties BOCES:			
Adult Education - Basic Grants to States			
WIA - Title II Adult Basic	84.002		22,856
Passed-through NYS Department of Education:			
Adult Education - Basic Grants to States			
WIA-Title II Adult Basic	84.002	2338172123	<u>262,585</u>
Total Adult Education - Basic Grants to States			<u>285,441</u>
Title I, Grants to Local Educational Agencies			
Title I, School Improvement Professional Development	84.010	0011157031	33,353
Title I, School Improvement Professional Development	84.010	0011177031	454,297
Title I, Part A	84.010	0021162165	2,000,751
Title I, Part A	84.010	0021172165	14,122,397
Title I, School Improvement	84.010	0011162006	47,857
Title I, School Improvement	84.010	0011172006	<u>336,354</u>
Total Title I Grants to Local Educational Agencies			<u>16,995,009</u>

The accompanying notes to the schedule of federal awards are an integral part of these statements.



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education (Continued)</b>			
Passed-through NYS Department of Education (Continued):			
Special Education Cluster:			
Special Education - Grants to States			
Section 611 PL194-145	84.027	0032160656	10,348
Section 611 PL194-145	84.027	0032170656	6,424,654
Section 611 PL194-145	84.027	0032180656	6,100
SEISIS (formerly SETRC)	84.027	C012202	461,573
IDEA Program Development, Students with Disabilities	84.027	0031170015	<u>227,935</u>
Total Special Education - Grants to States			<u>7,130,610</u>
Special Education - Preschool Grants			
Special Education - Preschool Grants	84.173	0033160656	1,119
Special Education - Preschool Grants	84.173	0033170656	<u>293,180</u>
Total Special Education - Preschool Grants			<u>294,299</u>
Total Special Education Cluster			
			<u>7,424,909</u>
Career and Technical Education - Basic Grants to States			
Pathways in Technology Early College High School	84.048	8039170013	399,689
Perkins IV CTEIA	84.048	8000170010	<u>205,354</u>
Total Career and Technical Education - Basic Grants to States			<u>605,043</u>
Education for Homeless Children and Youth	84.196	0212173033	<u>89,170</u>
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	0187166118	296
Twenty-First Century Community Learning Centers	84.287	0187176118	<u>1,166,470</u>
Total Twenty-First Century Community Learning Centers			<u>1,166,766</u>
English Language Acquisition Grants			
Title III, Part A Immigration	84.365	0149172165	101,215
Title III, Part A Students with Interrupted/Inconsistent Formal Education (SIFE)	84.365	0153172165	29,664
Title III, Part A Limited English Proficiency	84.365	0293162165	45,279
Title III, Part A Limited English Proficiency	84.365	0293172165	<u>295,517</u>
Total English Language Acquisition Grants			<u>471,675</u>
Mathematics and Science Partnerships			
Title II, B Math and Science	84.366	0294160206	3,320
Title II, B Math and Science	84.366	0294170206	537,509
Title II, B Math and Science	84.366	0294170214	<u>179,170</u>
Total Mathematics and Science Partnerships			<u>719,999</u>
Improving Teacher Quality State Grants			
Title II, Part A	84.367	0147162165	947,403
Title II, Part A	84.367	0147172165	<u>842,776</u>
Total Improving Teacher Quality State Grants			<u>1,790,179</u>
School Improvement Grants:			
School Improvement Grant	84.377	0123167022	795
School Improvement Grant	84.377	0123177022	914,041

The accompanying notes to the schedule of federal awards are an integral part of these statements.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education (Continued)</b>			
Passed-through NYS Department of Education (Continued):			
School Improvement Grants (Continued):			
School Improvement Grant	84.377	0123176117	331,909
School Improvement Grant	84.377	0123176119	430,034
School Improvement Grant	84.377	0123164204	64,263
School Improvement Grant	84.377	0123174204	407,801
School Improvement Grant	84.377	0123177021	764,148
School Improvement Grant	84.377	0123164108	197,103
School Improvement Grant	84.377	0123174108	456,614
School Improvement Grant	84.377	0123176116	437,672
School Improvement Grant	84.377	0123164205	106,327
School Improvement Grant	84.377	0123174205	467,961
School Improvement Grant	84.377	0123176118	500,000
School Improvement Grant	84.377	0123177623	477,264
School Improvement Grant	84.377	0123177622	417,844
School Improvement Grant	84.377	0123164201	59,577
School Improvement Grant	84.377	0123174201	479,954
School Improvement Grant	84.377	0123164203	79,550
School Improvement Grant	84.377	0123174203	496,076
School Improvement Grant	84.377	0123164202	249,245
School Improvement Grant	84.377	0123174202	492,596
School Improvement Grant	84.377	0123164107	122,298
School Improvement Grant	84.377	0123174107	<u>451,518</u>
Total School Improvement Grants			<u>8,404,590</u>
Direct:			
Impact Aid	84.041	N/A	<u>97,422</u>
Indian Education - Grants to Local Educational Agencies	84.060	N/A	<u>131,173</u>
School Improvement Grants	84.377	N/A	<u>303,521</u>
<b>Total U.S. Department of Education</b>			<u>38,484,897</u>
<b>U.S. Department of Health and Human Services</b>			
Direct:			
Substance Abuse and Mental Health Services: Projects of Regional and National Significance	93.243	N/A	<u>431</u>
Passed-through NYS Department of Temporary and Disability Assistance:			
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	C00194GG	<u>440,476</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>440,907</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 53,765,569</u></b>

The accompanying notes to the schedule of federal awards are an integral part of these statements.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**1. GENERAL**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of federal financial assistance programs administered by the City School District of Syracuse, New York (the "District"), an entity as defined in the basic financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the School District, it is not intended to and does not present the government activities, each major fund and aggregate remaining for the School District.

**2. BASIS OF ACCOUNTING**

Expenditures reported in the Schedule are presented in conformity with accounting principles generally accepted in the United States and amounts presented are derived from the School District's general ledger. Negative amounts reflected in the Schedule represent adjustments or credits resulting from the normal course of business to amounts reported as expenditures in prior years.

**3. INDIRECT AND MATCHING COSTS**

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

The School District did not elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**4. NON-MONETARY FEDERAL PROGRAM**

The School District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2017, the School District received food commodities, the fair market value of which amounted to \$853,574 is presented in the accompanying Schedule of Expenditures of Federal Awards as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the School District's single audit.

**5. SUBRECIPIENTS**

There were no amounts provided to subrecipients during the year ended June 30, 2017.

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2017**

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**Section I - Financial Statement Findings**

None reported in prior year.

**Section II - Federal Awards Findings and Questioned Costs**

**2016-001. School Food Service Fund Balance  
U.S. Department of Agriculture—Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559)**

Criteria: In accordance with the Uniform Guidance and federal regulations 7 CFR Section 210.14(b), the School Food Service fund balance may not be in excess of three months average expenditure level.

Condition: The School District's School Food Service fund balance was in excess of three months average expenditure level for the year ended June 30, 2016.

Cause: There was a lack of formal training and understanding by the School District Management relating to the School Food Service fund balance regulation 7 CFR Section 210.14(b).

Effect: Non-compliance with reporting compliance requirement.

Recommendation: In July 2015, the School District submitted a plan to New York State Department of Education (NYSED) to spend down the excess fund balance primarily in upgrading the School Lunch Program's equipment used to prepare and deliver meals to students. This plan was approved by NYSED as proposed. Currently, the School District is in the process of finalizing the design and budget for the upgrade of its equipment under this plan. Once the plan is finalized, the School District will get formal approval from its Board of Education, and if required from NYSED. Once all approvals have been received the School District should follow the NYS procurement regulations in the implementation of the plan.

View of Responsible Officials and Planned Corrective Action: The School District submitted an excess fund balance plan to New York State which was approved in July, 2015. The School District is in the process of finalizing the detail design and budget of this plan, once completed, the School District will get all necessary approvals and follow NYS procurement regulations. In addition, the School District will work with its external auditors to ensure that the fund balance spend down plan meets the regulations set forth in 7 CFR Section 210.

Status: The School District has created plans for the proposed Central Kitchen Facility and has engaged a real estate broker to identify suitable properties for the development of the proposed Central Kitchen Facility.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Part I - Summary of Auditor's Results**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of independent auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ Yes \_X\_ No

Significant deficiency(ies) identified not considered to be material weaknesses? \_X\_ Yes \_\_\_

Noncompliance material to financial statements noted? \_\_\_ Yes \_X\_ No

Federal Awards

Type of independent auditor's report issued on compliance for major programs Unmodified

Internal control over major programs:

Material weakness(es) identified? \_\_\_ Yes \_X\_ No

Significant deficiency(ies) identified not considered to be material weaknesses? \_\_\_ Yes \_X\_ None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_ Yes \_X\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$1,612,967

Auditee qualified as low-risk auditee? \_X\_ Yes \_\_\_ No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Section II - Financial Statement Findings**

**Reference Number: 2017-001**

**Criteria:**

JSCB is required to report all transactions within JSCB's accounting system in the proper period and in accordance with generally accepted accounting principles.

**Condition/Cause:**

JSCB did not properly record accounting entries during the Phase I project in prior years related to debt payments, interest and acquisition of capital assets. JSCB's construction in progress activity contained an error that was not detected timely because there was no formal reconciliation process of total expenditures by project to the amount reported as construction in progress on the Statement of Net Position in prior years. In addition the payments made by the School District's General Fund for debt service payments, net of interest income, were not properly reported on the School District's government-wide and fund financial statements.

**Effect:**

The School District's government-wide statements were understated due to journal entries used to report the capital outlay expenditures and interest payments related to construction in progress being inadvertently omitted within the capital assets on the government-wide statement of net position. This resulted in an understatement of capital assets of \$35,831,033.

The JSCB and General Fund in the School District's fund financial statements were overstated and understated by \$1,596,046, respectively, due to debt service payments that were paid by the School District's General Fund not being reported in the JSCB Fund.

**Recommendation:**

In addition, we recommend that management of JSCB develop a detail subsidiary ledger of all construction costs from inception to the end of a project. Such schedule should be reconciled to the Statement of Net Position on an annual basis.

**Management's Response:**

The School District agrees with this recommendation. As noted, the accounting entries that led to this finding took place in the early years of the Phase I project. Since then, additional procedures have been implemented to ensure that all accounting transactions are being properly recorded, reconciled and reported. These steps include re-formatting of the School District and JSCB financial statements to include additional reconciliations and controls, and use of standard journal entry templates and review procedures for recording debt payments, interest and capital asset transactions. Going forward, JSCB will also prepare a fixed asset and construction in progress reconciliation schedule as part of regular financial reporting.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs that are required to be reported under *the Uniform Guidance*.