

**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, 2018**

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 12, 2018

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, 2018, 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.

(Continued)

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 School District, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, during 2018 the School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other 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 Changes in Total OPEB Liability and Related Ratios, 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 School District's basic financial statements. The supplementary information on pages 63-64, as required by New York State Education Department and the combining and individual nonmajor fund financial statements on pages 61-62 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplementary Information (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 63-64 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 12, 2018, 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 solely 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 the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

(Continued)

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

The purpose of the discussion and analysis of the Syracuse City School District's (the School District) financial performance is to provide the reader with an overall review of the School District's financial activities including its blended component unit, Joint Schools Construction Board (JSCB) for the year ended June 30, 2018 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 School 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 School District provided program services at a net expense of \$406.2 million of which it received \$341.5 million from State and Federal sources. The balance was funded by taxes and other miscellaneous revenue sources.
- The School District's combined net position for all activities decreased by \$2.7 million as a result of this year's operations.
- At June 30, 2018, combined net position for all activities was a deficiency of \$395.5 million mainly as a result of recognizing other postemployment benefits (OPEB) expenditures of \$641.9 million.
- At June 30, 2018, combined capital assets, net of depreciation were \$294.0 million.
- The combined depreciation expense for all activities was \$10.0 million.
- The total long-term bonds payable, as of June 30, 2018, were \$223.9 million, an increase of \$93.1 million from the prior year.

Fund Financial Statement Overview

- The total revenue for all governmental funds was \$503.7 million which was an increase of \$14.7 million or 3.0% over the 2016-2017 year.
- The final General Fund budget (including the prior year's encumbrances) of \$419.6 million was an increase of \$8.2 million or 2.0% over the 2016-2017 year.
- General Fund revenues (including operating transfers in) of \$407.7 million were an increase of \$11.4 million or 2.9% over the 2016-2017 year.
- General Fund expenditures (including operating transfers out) of \$393.0 million were an increase of \$4.1 million or 1.1% over the 2016-2017 year.
- The General Fund's fund balance increased by \$15.1 million from \$43.8 million to \$58.9 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 supplementary information. The basic financial statements include two kinds of statements that present different views of the School 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 School District as a whole as well as the School District's blended component unit, JSCB.
- Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide financial statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column. JSCB, a blended component unit of the School 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 School District acts solely as a trustee or agent for the benefit of those outside the School 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 School District's General Fund budget to actual for the year.

Table 1, on the next page, summarizes the major features of the School District's financial statements, including the portion of the School 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"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
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 School District's net position and how it has changed. Net Position - the difference between the School District's assets and deferred outflows of resources and the School District's liabilities and deferred inflows of resources - is one way to measure the School 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 School District's activities are shown as Governmental Activities. The majority of the School 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 School District's funds, focusing on the most significant or major funds, rather than the School 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 School District has three types of activities:

- **Governmental Funds:** Most of the School 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 School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund. The School 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 School District's operations.
- **Blended Component Unit:** The School District includes one separate legal entity in this report - JSCB. JSCB is a joint venture between the School District and the City of Syracuse (The City). JSCB is authorized to act as an agent to enter into contracts on behalf of the School 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 School District's governmental activities.

In Table 2, total governmental assets increased by approximately 28.7% mainly due to the increase of cash at yearend due to the issuance of \$120.3 million in new bonds, a net increase in capital assets of \$8.5 million, and the change in the School District's proportionate share of the New York State Teachers' Retirement System's (NYSTRS) net pension liability of \$12.2 million to a net pension asset of \$8.5 million.

Total liabilities increased by \$88.5 million or 9.4% mainly due to the net increase of \$93.1 million in bonds payable to fund JSCB Phase II projects. The decrease in the Other Liabilities category is mainly attributable to the \$20.5 decrease in the School District's share of the NYSTRS and New York State and Local Employees' Retirement System's (NYSERS) pension liabilities that was partially offset by the growing liability for other postemployment benefits that rose by \$17.2 million this year.

Deferred outflows of \$126.5 million and deferred inflows of \$32.9 million, a decrease of \$647 thousand and an increase of \$21.6 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 School District's share of the NYSERS and NYSTRS pensions.

The School District's combined governmental net deficit grew by approximately \$2.7 million or 0.7%. At June 30, 2018, the total liabilities exceeded the total assets by \$395.5 million (net deficit).

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

	Governmental Activities		Percentage Change
	2017 (as restated)	2018	
Current and Other Assets	\$ 142,768	\$ 248,566	74.1%
Non-current Assets	285,430	302,523	6.0%
Total Assets	428,198	551,089	28.7%
Deferred Outflows of Resources	127,955	127,230	-0.6%
Bonds Payable - Due in One Year	11,230	13,529	20.5%
Bonds Payable - Due in More Than One Year	119,541	210,357	76.0%
Other Liabilities	806,947	802,346	-0.6%
Total Liabilities	937,718	1,026,232	9.4%
Deferred Inflows of Resources	11,294	47,602	321.5%
<u>Net Position</u>			
Net investments in capital assets	179,964	175,931	-2.2%
Restricted	11,690	119,998	926.5%
Unrestricted (deficit)	(584,512)	(691,444)	18.3%
Total Net Deficit	\$ (392,858)	\$ (395,515)	0.7%

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

As shown in Table 3 below, the School District's total revenues from governmental activities increased by 3.7% or \$17.5 million primarily due to the \$12.6 million increase in General Aid in the current year.

The cost of all governmental programs and services increased by 2.3% or \$11.4 million.

Salaries increased 4.9% or \$9.2 million over the prior year mainly due to retroactive salary increase negotiated during contract settlements, contractual wage increases for instructional staff and other bargaining units and position increases. Employee retirement costs, on the other hand, decreased by 10.1% or \$2.2 million as the NYSTRS contribution rate decreased from 13.3% to 11.7% 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 School District's self-insured plan being only \$273 thousand or 0.6% greater than in the prior year despite the rapidly rising cost of health care.

Charter School tuition expense increased \$2.7 million in the current year when compared with the prior year due to the addition of a new charter school, The Syracuse Academy of Science and Citizenship in 2017-18 and increases in the billing rate and charter school enrollment at existing schools.

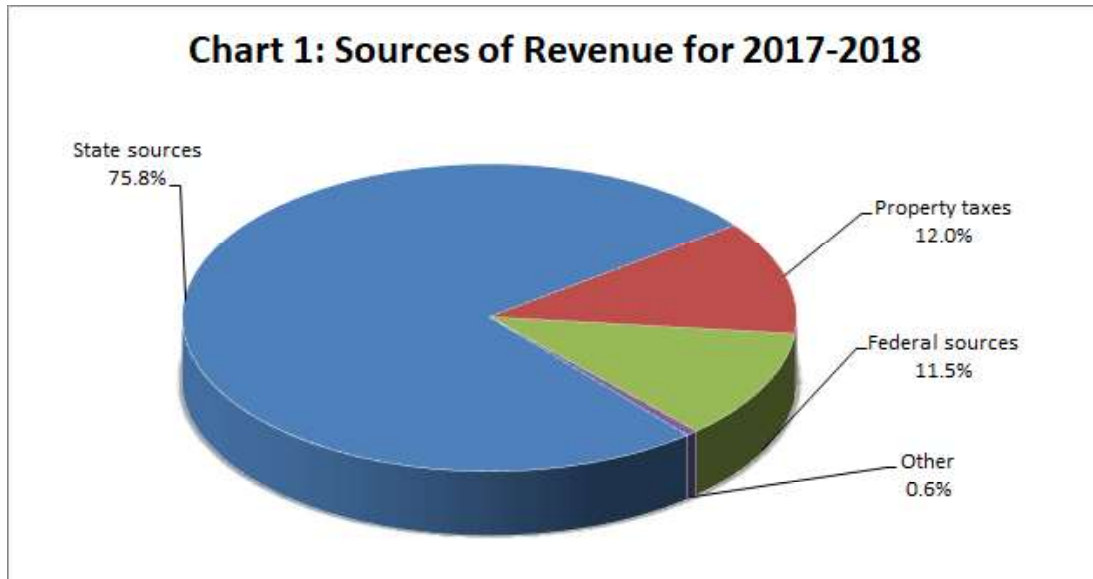
Bond principal and interest payment amounts decreased by \$1.8 million over the prior year as a result of bond refunding completed in the prior and current years.

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

	Governmental Activities 2017	Governmental Activities 2018	Percentage Change
Revenues			
Program Revenues:			
Charges for Services	\$ 459	\$ 467	1.7%
Operating Grants and Contributions	85,456	90,692	6.1%
General Revenues:			
Property Taxes and Other Taxes	59,212	60,103	1.5%
State and Local Sources	328,524	338,445	3.0%
Federal Sources	2,278	3,009	32.1%
Use of Money and Property	263	945	259.3%
Miscellaneous	1,001	1,022	2.1%
Total Revenues	<u>477,193</u>	<u>494,683</u>	3.7%
Expenses			
General Support	61,622	63,815	3.6%
Instruction	377,961	385,806	2.1%
Pupil Transportation	24,722	24,799	0.3%
Community Service	1,111	1,221	9.9%
School Food Service Program	13,978	15,698	12.3%
Interest	6,583	6,001	-8.8%
Total Expenses	<u>485,977</u>	<u>497,340</u>	2.3%
Increase (Decrease) in Net Position	<u>\$ (8,784)</u>	<u>\$ (2,657)</u>	69.8%

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

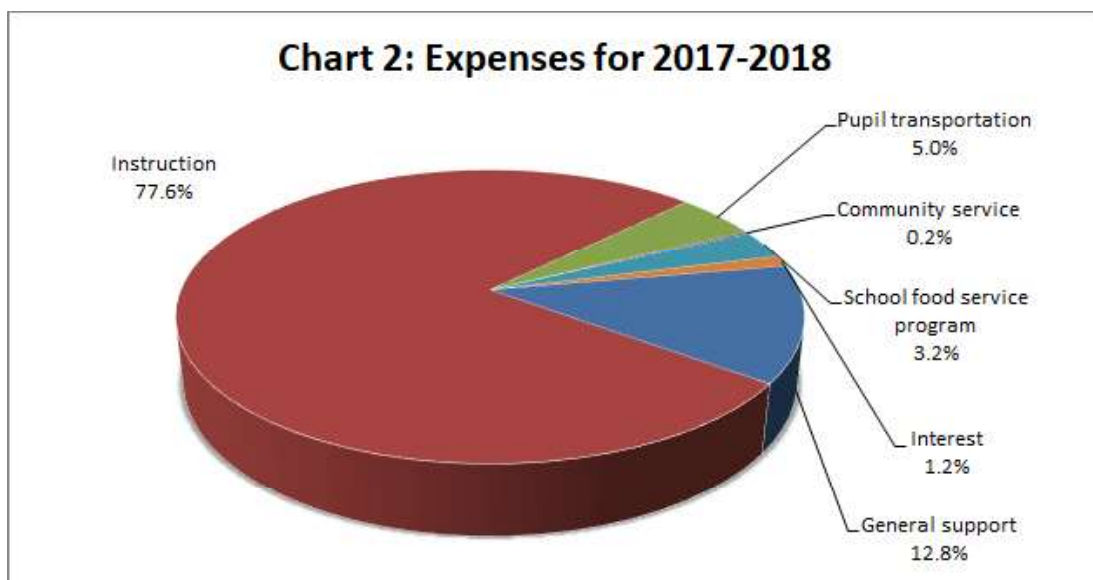
The School District is dependent on New York State and Federal sources for financing day to day operations with these two funding sources comprising 87.4% of total Governmental Activities revenue as shown in Chart 1 below. This dependency results in sensitivity to changes in the State's fiscal condition as well as changes in the State and Federal governments' funding priorities.



The School District spent 77.6% of total expenditures on Instruction including salaries and benefits for Teachers and Teaching Assistants and instructional supplies and 3.2% 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 School District to sites both within and outside of the School District utilized 5.0% of total expenditures.

General Support services such as custodial, maintenance, accounting and administrative services made up approximately 12.8% of total expenditures.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

At June 30, 2018, the School District's governmental funds reported a combined fund balance of \$179.6 million, which is an increase of \$123.5 million from the prior year combined fund balance of \$561 million. The fund balance represents the accumulated results of the current and all previous years' operations.

The total fund balance is segregated into non-spendable, restricted, committed, assigned and unassigned amounts based on nature of the restriction imposed on the School 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, 2018, is \$58.9 million, which is an increase of \$15.1 million from the prior year fund balance of \$43.8 million. Of the balance at June 30, 2018, \$27.0 million was unassigned. The unassigned fund balance represents 6.9% of the total current year General Fund expenditures, while total fund balance represents 15% of that same amount.

JSCB

At June 30, 2018, JSCB, a blended component unit, reported a fund balance of \$106.5 million, which is an increase of \$109.7 million from the prior year fund balance deficit of \$3.2 million. The entire amount of the fund balance is reserved for use in the related JSCB construction and renovation projects to be completed throughout the School District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District's original adopted General Fund budget was \$419.6 million, consisting of the current year's operating budget of \$417.6 million and prior year's encumbrances of \$2.0 million. The final budget was the same as the original budget.

The actual charges to appropriations (expenditures) were \$26.6 million or 6.3% less than the final budget amount of \$419.6 million mainly due to health and prescription costs being less than budget by \$7.3 million. The School District is self-insured paying actual claims as incurred, so dollar-for-dollar 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, Medicare Advantage and EGWP health plans. Employee retirement costs were also \$1.2 million less than budgeted due to the decreased employer contribution rates for the Teachers' Retirement System (TRS) and State and Local Retirement System (ERS).

Contract service costs were also less, at \$7.4 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.

Additionally, Transportation costs were \$1.5 million less than anticipated for the year based on routing efficiencies obtained and lower than anticipated costs for the expanded Centro transportation. Charter School expenditures were \$1.9 million less due to lower enrollment. BOCES service costs were \$1.4 million less than anticipated due to the closure of the BOCES Kasson Road facility that provided special education services to the School 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 also \$1.5 million lower with natural gas electric rates at historic lows.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Resources available for appropriation (revenues) excluding the use of fund balance were approximately \$501 thousand less than the final budgeted amount of \$408.7 million. The School District had lower than anticipated State Aid mainly in the transportation aid expenditure reimbursement category, High Cost Excess Cost aid and BOCES and Special Services aid. The reductions in State Aid were partially offset increased federal revenues from E-Rate, Medicaid and RDS subsidy payments. The School District also received higher than anticipated earnings on investments and an unanticipated premium of \$441 thousand on the Revenue Anticipation Note (RAN) issued this year.

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, 2018.

CAPITAL ASSETS

At June 30, 2018, the School District had \$294.0 million, net of depreciation and amortization, invested in a broad range of capital assets, including land, buildings, athletic facilities, vehicles, software and other equipment for governmental activities. This amount represents a net increase of \$8.6 million or 3.0% from last year. The School District completed JSCB Phase I construction at PSLA at Fowler and finalized the Westside Academy at Blodgett project study phase transferring \$53.1 million from construction in progress to buildings and improvements and added an additional \$15.8 million to construction in progress as major renovations at various schools throughout the School District were implemented under Phase II of the JSCB school reconstruction program.

Table 4 - Capital Assets at Year End

	Governmental Activities		Percentage Change
	2017	2018	
Land	\$ 1,480	\$ 1,480	0.0%
Land Improvements	75	280	273.3%
Buildings and Improvements	216,373	262,195	21.2%
Furniture and Equipment	3,030	3,132	3.4%
Vehicles	1,457	2,098	44.0%
Software	2,984	2,122	-28.9%
Construction in Progress	60,030	22,708	-62.2%
Total	<u>\$ 285,429</u>	<u>\$ 294,015</u>	3.0%

(Net of Depreciation/Amortization, in Thousands of Dollars)

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

DEBT ADMINISTRATION

At June 30, 2018, the School District had \$223.9 million of bonds payable outstanding compared to \$130.8 million last year, an increase of \$93.1 million or 71%. The School District issued \$105.8 million in new bonds to finance JSCB Phase II projects and \$14.5 million in refunding bonds in the current year to refinance existing debt for a lower interest rate. These increases were partially offset by the principal payments made during the year. As the School District continues to renovate aging facilities, it is anticipated debt will continue to increase in future years.

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

CHALLENGES FACING THE SCHOOL DISTRICT

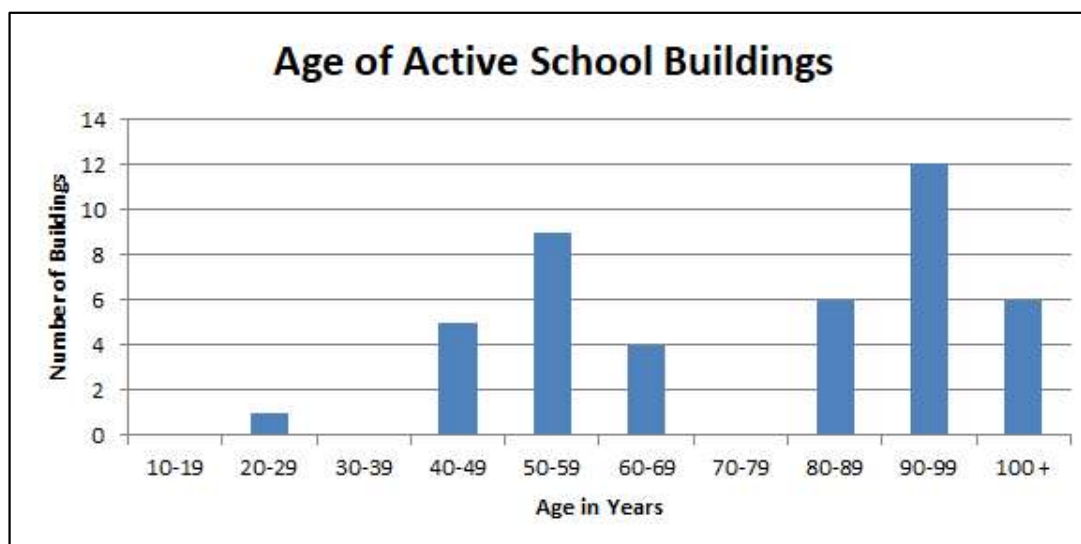
As a dependent school district without the authority to raise taxes or issue debt, the School District is directly affected by Local and State economic conditions. Like many urban based districts, the Syracuse City School District operates in an environment of fluctuating enrollment, increasing costs 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 School 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 School 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 the School District facilities also presents a significant challenge, one which is made more difficult given the age of the school buildings. Nearly 60% of the School 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 School District's ability to both attract and retain a high quality instructional and administrative workforce.

Table 5



Age of Active Buildings

CHALLENGES FACING THE SCHOOL DISTRICT (Continued)

As we look forward there are, however, some notable initiatives that will have a positive impact on the School 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. The PSLA at Fowler and Westside Academy at Blodgett were substantially complete at June 2018.

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 School 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 began in 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, 2018, JSCB BANs in the amount of \$15.0 million were outstanding.

To support the School 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 SCHOOL 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 School 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 School District's property tax revenue. The School 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 2018-19 operating budget, the School District linked resource allocation with student need and the expected impact on student achievement. Specifically, the budget included funding for the following priorities:

1. Early Literacy Initiative to ensure that by the end of second grade, all students are reading on- or above-grade level, placing them on the path to become active, literate learners.
2. Culturally Responsive Education and Restorative Practices, which help bridge the gap between what students learn in the classroom and what they experience in the community.
3. Continued Expansion of Career and Technical Education Programs, which are helping our students graduate from high school ready for college and career. We now have 26 cutting-edge pathways offered in our School District and look forward to expanding these programs even further.
4. Improved Personalized Learning Opportunities to ensure that each student is able to achieve their own goals at their own pace. Every school has designed a more personalized approach to teaching and learning and now this needs to spread from pockets of excellence to district-wide implementation.
5. Robust Academic and Social-Emotional Supports including continued support for Academic Intervention Teachers, Social Work Assistants and other staff to ensure that we are adequately able to address the issues that are hindering students from achieving academic success.

The School 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 School District's operating costs.

The School District's portion of the Property Tax Levy increased by less than 1% over the 2017-18 adopted budget and State aid increased by approximately 2.8%. The budget includes \$14.0 million in appropriated fund balance.

In order to balance the budget, the School 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 School 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 SCHOOL DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to demonstrate the School 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 School 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, 2018**

	<u>Governmental Activities</u>
ASSETS	
Pooled cash and cash equivalents held by City	\$ 45,336,600
Pooled cash and cash equivalents held by District	89,400
Pooled Restricted cash and cash equivalents held by City	131,303,323
Pooled Restricted cash and cash equivalents held by District	17,009
Receivables:	
State and Federal aid	61,707,862
Due from other governments	237,653
Due from City	3,443,232
Other	4,529,416
Inventories	1,712,152
Prepaid expenses	189,356
Net pension asset - TRS	8,507,814
Capital assets, net of accumulated depreciation/ amortization	294,015,041
Total Assets	<u>551,088,858</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources- TRS Pension	113,214,427
Deferred outflows of resources- ERS Pension	13,274,563
Deferred charges	741,074
	<u>127,230,064</u>
LIABILITIES	
Payables:	
Accounts payable	20,422,888
Accrued expenses	7,665,550
Accrued payroll	2,221,134
Due to other governments	981,742
Accrued interest	1,965,609
Due to Fiduciary Funds	219,411
Bond anticipation notes	15,000,000
Long-term liabilities:	
Due and payable within one year:	
Bonds payable	13,528,864
Premium on bonds payable	1,910,773
Compensated absences payable	5,975,622
Due to retirement systems	21,576,467
Self-insured employee health plan claims	1,881,186
Self-insured workers' compensation claims	4,706,777
Lottery aid payable	1,016,666
Due and payable in more than one year:	
Bonds payable	210,356,697
Premium on bonds payable	21,892,183
Self-insured workers' compensation claims	31,385,747
Other postemployment benefits	641,902,041
Net pension liability - ERS	4,605,713
Lottery aid payable	17,016,667
Total Liabilities	<u>1,026,231,737</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - TRS Pension	27,616,786
Deferred inflows of resources - ERS Pension	14,722,222
Deferred inflows of resources - OPEB	5,263,135
	<u>47,602,143</u>
NET POSITION	
Net investment in capital assets	175,931,238
Restricted	119,997,688
Unrestricted (deficit)	(691,443,884)
Total Net Position	<u>\$ (395,514,958)</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, 2018

	<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 & Contributions</u>	
General support	\$ 63,815,376	\$ -	\$ -	\$ (63,815,376)
Instruction	385,806,020	200,973	73,090,208	(312,514,839)
Pupil transportation	24,799,370	-	384,307	(24,415,063)
Community service	1,220,714	-	1,154,279	(66,435)
School food service program	15,697,864	265,610	16,063,166	630,912
Interest	6,000,710	-	-	(6,000,710)
	<u>\$ 497,340,054</u>	<u>\$ 466,583</u>	<u>\$ 90,691,960</u>	<u>(406,181,511)</u>
GENERAL REVENUES				
General property taxes				59,413,001
Nonproperty taxes				690,178
Use of money and property				945,428
Sale of property and compensation for loss				106,726
Miscellaneous				916,090
State and local sources				338,444,533
Federal sources				3,009,074
				<u>403,525,030</u>
Total General Revenues				<u>403,525,030</u>
Change in Net Position				(2,656,481)
Total Net Position - beginning of year				(254,498,177)
Prior Period Adjustment (See Note 13)				<u>(138,360,300)</u>
Total Net Position - beginning of year, as restated				<u>(392,858,477)</u>
Total Net Position - end of year				<u>\$ (395,514,958)</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, 2018

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
ASSETS					
CASH:					
Pooled cash and cash equivalents held by City	\$ 45,336,600	\$ -	\$ -	\$ -	\$ 45,336,600
Pooled cash and cash equivalents held by District	89,400	-	-	-	89,400
Pooled restricted cash and cash equivalents held by City	2,298,098	-	128,098,752	906,473	131,303,323
Pooled restricted cash and cash equivalents held by District	-	-	-	17,009	17,009
RECEIVABLES:					
Due from other funds	6,712,354	-	-	10,715,992	17,428,346
State and Federal aid	39,639,456	19,366,938	-	2,701,468	61,707,862
Due from other governments	237,653	-	-	-	237,653
Due from JSCB	2,048,616	-	-	-	2,048,616
Due from the City	3,443,232	-	-	-	3,443,232
Other	89,688	4,413,444	-	26,284	4,529,416
INVENTORY	1,086,364	-	-	625,788	1,712,152
PREPAID EXPENSES	187,186	2,170	-	-	189,356
Total assets	<u>\$ 101,168,647</u>	<u>\$ 23,782,552</u>	<u>\$ 128,098,752</u>	<u>\$ 14,993,014</u>	<u>\$ 268,042,965</u>
LIABILITIES					
PAYABLES:					
Accounts payable	\$ 14,984,432	\$ 4,562,704	\$ -	\$ 875,752	\$ 20,422,888
Accrued expenses	3,067,335	-	4,598,215	-	7,665,550
Accrued payroll	1,687,248	434,603	-	99,283	2,221,134
Due to other governments	-	980,990	-	752	981,742
Due to other funds	-	17,647,757	-	-	17,647,757
Due to the District	-	-	2,048,616	-	2,048,616
NOTES PAYABLE:					
Bond anticipation note	-	-	15,000,000	-	15,000,000
OTHER LIABILITIES:					
Due to retirement systems	21,576,467	-	-	-	21,576,467
Self-insured workers' compensation claims	885,546	-	-	-	885,546
Total liabilities	<u>42,201,028</u>	<u>23,626,054</u>	<u>21,646,831</u>	<u>975,787</u>	<u>88,449,700</u>
FUND BALANCE					
NON-SPENDABLE	1,273,550	2,170	-	625,788	1,901,508
RESTRICTED	-	154,328	106,451,921	13,391,439	119,997,688
COMMITTED	3,200,000	-	-	-	3,200,000
ASSIGNED	27,512,829	-	-	-	27,512,829
UNASSIGNED	26,981,240	-	-	-	26,981,240
Total fund balance	<u>58,967,619</u>	<u>156,498</u>	<u>106,451,921</u>	<u>14,017,227</u>	<u>179,593,265</u>
Total liabilities and fund balance	<u>\$ 101,168,647</u>	<u>\$ 23,782,552</u>	<u>\$ 128,098,752</u>	<u>\$ 14,993,014</u>	<u>\$ 268,042,965</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, 2018**

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

Total governmental fund balances	\$ 179,593,265
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	294,015,041
Deferred charges recorded as incurred in the funds	741,074
GASB 68 related government wide activity	
Net pension asset	8,507,814
Deferred outflows of resources	126,488,990
Net pension liability	(4,605,713)
Deferred inflows of resources	(42,339,008)
Accrued interest not paid and therefore not reported in the funds	(1,965,609)
Deferred inflows- OPEB	(5,263,135)
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>(950,687,677)</u>
Net position of governmental activities	<u>\$ (395,514,958)</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, 2018

	General	Special Aid	Joint Schools Construction Board	Nonmajor Governmental	Total Governmental Funds
REVENUES					
General property taxes	\$ 59,413,001	\$ -	\$ -	\$ -	\$ 59,413,001
Nonproperty taxes	690,178	-	-	-	690,178
Charges for services	200,973	-	-	-	200,973
Use of money and property	629,130	-	306,353	9,945	945,428
Sale of property and compensation for loss	106,726	-	-	-	106,726
Miscellaneous	916,090	-	-	-	916,090
State and local sources	338,421,674	36,324,870	-	389,910	375,136,454
Federal sources	2,294,313	38,303,924	714,761	14,879,326	56,192,324
Surplus food	-	-	-	816,789	816,789
Sales - School Food Service Program	-	-	-	265,610	265,610
Pass-through New York State funding from the District	-	-	8,984,981	-	8,984,981
Total revenues	402,672,085	74,628,794	10,006,095	16,361,580	503,668,554
EXPENDITURES					
General support	57,384,382	-	-	7,752,925	65,137,307
Instruction	288,105,954	73,710,144	-	-	361,816,098
Pupil transportation	23,042,648	387,567	-	-	23,430,215
Community service	-	1,164,069	-	-	1,164,069
Pass-through New York State funding to JSCB	8,984,981	-	-	-	8,984,981
Debt service:					
Principal	520,000	-	4,655,000	6,535,185	11,710,185
Interest	1,427,071	-	4,329,981	1,552,176	7,309,228
Debt issuance costs	-	-	2,803,489	-	2,803,489
Cost of sales	-	-	-	7,207,870	7,207,870
Capital outlay	-	-	10,116,949	2,879,149	12,996,098
Total expenditures	379,465,036	75,261,780	21,905,419	25,927,305	502,559,540
Excess (deficiency) of revenues over expenditures	23,207,049	(632,986)	(11,899,324)	(9,565,725)	1,109,014
OTHER FINANCING SOURCES AND USES					
BANs redeemed from appropriations	-	-	520,000	-	520,000
Premium on issuance of bond anticipation note	-	-	223,513	-	223,513
Premium on issuance of revenue anticipation note	440,864	-	-	-	440,864
Proceeds from debt	-	-	105,765,000	-	105,765,000
Proceeds of refunding bonds	-	-	-	14,535,000	14,535,000
Premium on issuance of debt	-	-	15,433,486	-	15,433,486
Premium on refunding bonds	-	-	-	1,742,593	1,742,593
Deposit to escrow agent	-	-	-	(16,277,593)	(16,277,593)
Operating transfers in	5,050,176	2,736,284	500,000	10,826,349	19,112,809
Operating transfers out	(13,562,633)	(2,381,842)	(936,306)	(2,232,028)	(19,112,809)
Total other sources (uses)	(8,071,593)	354,442	121,505,693	8,594,321	122,382,863
Excess (deficiency) of revenues and other sources over Net change in fund balance	15,135,456	(278,544)	109,606,369	(971,404)	123,491,877
Fund balance - beginning of year	43,832,163	435,042	(3,154,448)	14,988,631	56,101,388
Fund balance - end of year	\$ 58,967,619	\$ 156,498	\$ 106,451,921	\$ 14,017,227	\$ 179,593,265

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, 2018**

Net Change in Fund Balance - Total Governmental Funds \$ 123,491,877

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. 18,559,937

Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities. (9,974,835)

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. 11,190,185

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 644,141

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. (22,701,097)

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. (2,668,203)

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 Position. 16,277,593

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. (120,300,000)

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. (17,176,079)

Change in Net Position of Governmental Activities \$ (2,656,481)

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, 2018

	Private Purpose Trusts	<u>Agency</u>
ASSETS		
Restricted cash held by School District	\$ 163,713	\$ 168,595
Due from other funds	<u>-</u>	<u>232,559</u>
Total assets	<u>163,713</u>	<u>401,154</u>
LIABILITIES		
Due to other funds	13,148	-
Other liabilities	<u>10,000</u>	<u>401,154</u>
Total liabilities	<u>23,148</u>	<u>\$ 401,154</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 140,565</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, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ <u>15,177</u>
Total additions	<u>15,177</u>
 DEDUCTIONS	
Loss on investment	7,664
Scholarships and awards	<u>23,648</u>
Total deductions	<u>31,312</u>
Change in net position	(16,135)
Net position - beginning of year	<u>156,700</u>
Net position - end of year	<u>\$ 140,565</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, 2018**

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 School 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 School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, functions and organizations over which the School District Officials exercise oversight responsibility and the activities of a blended component unit, the Joint Schools Construction Board.

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

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

The ECA Funds are independent of the School District with respect to financial transactions and the designation of student management, however, the Board of Education exercises general oversight of these funds. The School 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 School District's business office.

Joint Schools Construction Board Blended Component Unit (JSCB)

Under GASB Statement 61, JSCB is a blended component unit of the School District based on the criteria that JSCB provides services almost exclusively to the School 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 School 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 School 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 School District reports the following major governmental funds and blended component unit:

General Fund

This is the School 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 School 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 School 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 School 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 School 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 School District is the beneficiary of the earnings on the principal.

Fiduciary activities are those in which the School 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 School District, and are not available to be used. The School District reports the following fiduciary funds:

Private Purpose Trusts Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within one hundred twenty days after the end of the fiscal year.

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

D. Revenue, Expenditures and Expenses

Property Taxes

Real property taxes are levied annually by the 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 School District within two years from the return of unpaid taxes to the City. Real property taxes receivable (Due from City) expected to be collected within 120 days of year-end are recognized as revenue. Otherwise, deferred inflows offset amounts due from the City. The City guarantees 100% of the levy to the School District.

Intergovernmental Revenues - Grants

Revenues and expenditures from Federal and State grants are typically recorded in the general and special revenue funds. The School 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 School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The School 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 School 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 School District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

The School 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 School 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 School 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 School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2018.

The School 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 School 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 School 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 School 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 School 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 and liabilities, the Statement of Net Position will sometimes report a separate financial statement element, *deferred outflows of resources*, which is presented directly after assets and *deferred inflows of resources* which is presented directly after liabilities. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

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 School 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 School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. There are currently approximately 5,900 individuals receiving benefits under the plan. The School District has recorded in the government-wide statement of net position other postemployment benefits totaling \$641,902,041 as of June 30, 2018.

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	\$	154,328
Joint Schools Construction Board (JSCB)		106,451,921
School Food Service Fund		7,927,053
Capital Projects		4,901,131
Debt Service		546,246
Permanent Fund		<u>17,009</u>
Total restricted net position	\$	<u>119,997,688</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 School 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 \$1,273,550, prepaid expenses in the Special Aid Fund of \$2,170, and the inventory in the School Food Service Fund of \$625,788.
- 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 Board of Education has committed fund balance of \$3,200,000 to fund the estimated November 2019 JSCB debt service payment for Phase II Projects as of June 30, 2018.
- d. Assigned - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. 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, 2018, the School District's General Fund encumbrances amounted to \$3,812,829, classified as follows:

General Fund encumbrances:	
General Support	\$ 1,106,576
Instruction	2,676,045
Transportation	30,208
Total General Fund encumbrances	<u>\$ 3,812,829</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications (Continued)

Fund Statements (Continued)

d. Assigned (Continued)

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 School District appropriated \$14,000,000 of fund balance to be used to fund fiscal year 2018-2019 operating expenditures. The School District also assigned \$4,000,000 to fund additional supports in various schools, \$2,700,000 for capital projects and \$3,000,000 for the estimated JSCB local share for Phase II Tranche II Projects.

- 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 School 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 School 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 School 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 School 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 School 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, 2018 and balances at June 30, 2018:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 8,760,970	\$ -	\$ 5,050,176	\$13,562,633
Special aid	-	17,647,757	2,736,284	2,381,842
JSCB	-	2,048,616	500,000	936,306
School food service	5,979,702	-	-	1,732,028
Capital projects	4,190,044	-	2,738,988	500,000
Debt service	546,246	-	8,087,361	-
Private purpose trust	-	13,148	-	-
Agency	232,559	-	-	-
Total	<u>\$19,709,521</u>	<u>\$19,709,521</u>	<u>\$19,112,809</u>	<u>\$19,112,809</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018:

	Beginning Balance at <u>June 30, 2017</u>	Additions/ <u>Transfers</u>	Disposals/ <u>Transfers</u>	Ending Balance at <u>June 30, 2018</u>
Land (not depreciable)	\$ 1,480,325	\$ -	\$ -	\$ 1,480,325
Land improvements	3,981,647	210,187	-	4,191,834
Buildings and improvements	420,600,116	53,389,251	-	473,989,367
Furniture and equipment	10,070,084	1,053,026	(270,573)	10,852,537
Vehicles	5,035,474	1,229,301	(190,146)	6,074,629
Software	7,519,885	-	(450,889)	7,068,996
Construction in progress (not depreciable)	<u>60,030,031</u>	<u>15,799,587</u>	<u>(53,121,414)</u>	<u>22,708,204</u>
Total capital assets	<u>508,717,562</u>	<u>71,681,352</u>	<u>(54,033,022)</u>	<u>526,365,892</u>
Less: Accumulated depreciation/amortization:				
Land improvements	(3,906,675)	(5,016)	-	(3,911,691)
Buildings and improvements	(204,227,110)	(7,568,675)	-	(211,795,785)
Furniture and equipment	(7,039,865)	(950,954)	270,572	(7,720,247)
Vehicles	(3,578,046)	(588,246)	190,146	(3,976,146)
Software	<u>(4,535,927)</u>	<u>(861,944)</u>	<u>450,889</u>	<u>(4,946,982)</u>
Total accumulated depreciation/ amortization	<u>(223,287,623)</u>	<u>(9,974,835)</u>	<u>911,607</u>	<u>(232,350,851)</u>
Capital assets, net	<u>\$ 285,429,939</u>	<u>\$ 61,706,517</u>	<u>\$ (53,121,415)</u>	<u>\$ 294,015,041</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	\$ 7,971,904
Support Services:	
General	1,435,172
Pupil transportation	516,239
School food service	51,520
Total depreciation/amortization expense	<u>\$ 9,974,835</u>

5. LONG-TERM INDEBTEDNESS

The School 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, 2018:

	(As restated) Balance at <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2018</u>	Amount due <u>in one year</u>	Due in <u>more than one year</u>
Bonds payable:						
Bonds payable	\$ 130,770,746	\$ 120,300,000	\$ 27,185,185	\$ 223,885,561	\$ 13,528,864	\$ 210,356,697
Premiums on bonds payable	<u>8,537,650</u>	<u>17,176,079</u>	<u>1,910,773</u>	<u>23,802,956</u>	<u>1,910,773</u>	<u>21,892,183</u>
Total bonds payable	<u>139,308,396</u>	<u>137,476,079</u>	<u>29,095,958</u>	<u>247,688,517</u>	<u>15,439,637</u>	<u>232,248,880</u>
Other liabilities:						
Compensated absences payable	6,052,718	10,825,916	10,903,012	5,975,622	5,975,622	-
Other postemployment benefits	624,693,166	35,723,536	18,514,661	641,902,041	-	641,902,041
Due to retirement systems	24,046,768	21,308,799	23,779,100	21,576,467	21,576,467	-
Self-insurance health plan claims	331,156	57,233,128	55,683,098	1,881,186	1,881,186	-
Self-insurance workers' compensation claims	36,893,875	4,009,929	4,811,280	36,092,524	4,706,777	31,385,747
Net pension liability	25,121,771	-	20,516,058	4,605,713	-	4,605,713
Lottery aid payable	<u>19,050,000</u>	<u>-</u>	<u>1,016,667</u>	<u>18,033,333</u>	<u>1,016,666</u>	<u>17,016,667</u>
Total other liabilities	<u>736,189,454</u>	<u>129,101,308</u>	<u>135,223,876</u>	<u>730,066,886</u>	<u>35,156,718</u>	<u>694,910,168</u>
Long-term liabilities	<u>\$ 875,497,850</u>	<u>\$ 266,577,387</u>	<u>\$ 164,319,834</u>	<u>\$ 977,755,403</u>	<u>\$ 50,596,355</u>	<u>\$ 927,159,048</u>

Payments on bonds payable, with the exception of JSCB, that pertain to the School 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 School 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. LONG-TERM INDEBTEDNESS (Continued)

Revenue and Bond Anticipation Notes Payable (Continued)

The School District's short-term debt activity for the year ended June 30, 2018:

	Balance at <u>July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2018</u>
Revenue anticipation notes	\$ _____ -	\$ <u>51,805,000</u>	\$ <u>51,805,000</u>	\$ _____ -

The JSCB's short-term debt activity for the year ended June 30, 2018:

	Balance at <u>July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	Balance at <u>June 30, 2018</u>
Bond anticipation notes	\$ <u>29,800,000</u>	\$ _____ -	\$ <u>14,800,000</u>	\$ <u>15,000,000</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 School District. Appropriations are provided for redemption of the obligations and interest thereon in the budget of the School District. Bonds outstanding at June 30, 2018 consisted of the following:

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2018</u>
May 15, 2014	2019	2.000 - 5.000	\$ 560,000
July 28, 2005	2019	2.625 - 5.000	14,434
September 30, 2010	2019	2.000 - 4.000	1,525,000
December 21, 2017	2021	3.000 - 5.000	2,630,000
June 15, 2009	2022	4.000 - 5.000	192,847
September 30, 2010	2022	2.000 - 4.000	3,775,000
June 13, 2012	2022	2.000 - 5.000	387,000
June 15, 2010	2023	2.500 - 5.000	236,280
December 21, 2017	2024	3.000 - 5.000	5,775,000
May 15, 2014	2025	2.000 - 5.000	5,220,000
May 28, 2015	2027	4.000 - 5.000	5,710,000
December 23, 2010	2027	3.000 - 6.000	21,355,000
July 12, 2011	2027	5.428	17,915,000
July 12, 2011	2028	3.000 - 5.000	15,000,000
April 20, 2017	2030	3.000 - 5.000	29,260,000
December 21, 2017	2030	3.000 - 5.000	5,270,000
June 23, 2017	2032	3.000 - 5.000	3,295,000
March 15, 2018	2033	3.000 - 5.000	67,265,000
June 20, 2018	2033	3.000 - 5.000	<u>38,500,000</u>
Total bonds outstanding			<u>\$223,885,561</u>

5. CAPITAL INDEBTEDNESS (Continued)

Bonds Payable (Continued)

On December 21, 2018, the School District issued \$7,900,000 in general obligation bonds with coupon rates of 3.00 – 5.00% to advance refund \$8,795,000 of outstanding Series 2005C and 2007A serial bonds with interest rates of 2.625% - 5.00%. At the same time, the School District issued \$6,635,000 in general obligation bonds with coupon rates of 3.00 – 5.00% to advance refund \$7,200,000 of outstanding Series 2008A serial bonds with interest rates of 3.25% - 5.00%. The net proceeds of \$8,928,524 (including a premium of \$1,028,524 and \$50,674 in issuance costs) and net proceeds of \$7,349,069 (including a premium of \$714,069 and \$52,812 in issuance costs), respectively 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 School District's financial statements. These refundings decrease total debt service payments over the next 13 years by \$1,379,623 resulting in an economic gain (difference between the present values of the debt service payment on the old and new debt) of approximately \$1,219,000.

Bonds payable as of June 30, 2018 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,528,864	\$ 10,854,177	\$ 24,383,041
2020	16,695,715	10,112,402	26,808,117
2021	18,368,191	9,327,290	27,695,481
2022	18,221,859	8,509,320	26,731,179
2023	17,945,932	7,640,879	25,586,811
2024 – 2028	83,130,000	26,090,332	109,220,332
2029 – 2033	45,380,000	8,797,565	54,177,565
2034 – 2035	<u>10,615,000</u>	<u>449,863</u>	<u>11,064,863</u>
Totals	<u>\$ 223,885,561</u>	<u>\$ 81,781,828</u>	<u>\$ 305,667,389</u>

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

Interest paid - capital indebtedness	\$ 6,644,851
Less: Interest accrued in the prior year	(1,059,765)
Amortization of bond premiums	(1,910,773)
Plus: Deferred loss on refunding	360,788
Interest accrued in the current year	<u>1,965,609</u>
Total expense	<u>\$ 6,000,710</u>

6. OPERATING LEASE COMMITMENTS AND LEASED ASSETS

The School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2018 were approximately \$920,000. The minimum future non-cancelable operating lease payments as of June 30, 2018 are as follows:

2019	\$	826,846
2020		519,410
2021		484,271
2022		274,273
Thereafter		<u>92,212</u>
Total	\$	<u>2,197,012</u>

7. PENSION PLANS

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

The School 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 School 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 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 27th, 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>
2018	\$	5,649,960
2017	\$	5,408,869
2016	\$	5,655,864

7. PENSION PLANS (Continued)

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

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.

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 School District's retirement bill was amortized or bonded as of June 30, 2018.

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

At June 30, 2018, the School District reported a net pension liability of \$4,605,712 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School 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, 2018, the School District's proportion was 0.1427046% 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, 2018, the School District recognized pension expense of \$5,554,717. At June 30, 2018, the School 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	\$ 1,642,708	\$ 1,357,472
Changes in assumptions	3,053,968	-
Net difference between projected and actual earnings on pension plan investments	6,689,433	13,204,269
Changes in proportion and differences between the District's contributions and proportionate share of contributions	392,384	160,481
Contributions subsequent to the measurement date	<u>1,496,070</u>	<u>-</u>
Total	<u>\$ 13,274,563</u>	<u>\$ 14,722,222</u>

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:

2019	\$ 972,590
2020	829,408
2021	(3,254,180)
2022	<u>(1,491,548)</u>
	<u>\$ (2,943,730)</u>

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018.

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, 2018 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School 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	Current Discount	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 34,848,062	\$ 4,605,713	\$ (20,978,107)

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, 2018 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	\$ 183,400,590,000	\$ 261,721,078	0.1427046%
Net position	(180,173,145,000)	(257,115,366)	0.1427046%
Net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ 4,605,712</u>	0.1427046%
Fiduciary net position as a percentage of total pension liability	98.24%	98.24%	

New York State Teachers' Retirement System (NYSTRS)

The School 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 School District is required to contribute at an actuarially determined rate. The School 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>
2018	\$ 22,634,278
2017	\$ 25,004,761
2016	\$ 29,174,990

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

At June 30, 2018, the School District reported a net pension asset of \$8,507,817 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018 the School District's proportionate share was 1.119303%, which was a decrease from the 1.137868% proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$20,876,430. At June 30, 2018 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 6,999,840	\$ 3,317,098
Changes in assumptions	86,568,664	-
Net difference between projected and actual earnings on pension plan investments	-	20,038,363
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,617,917	4,261,325
Contributions subsequent to the measurement date	<u>18,028,006</u>	<u>-</u>
Total	<u>\$ 113,214,427</u>	<u>\$ 27,616,786</u>

7. PENSION PLANS (Continued)

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

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

The School District recognized \$18,028,006 as a deferred outflow of resources related to pensions resulting from the School District's contributions subsequent to the measurement date that are recognized as a reduction to the net pension asset for the year ended June 30, 2018. Other amounts reported as deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan year ending:

2018	\$ 1,455,580
2019	22,390,189
2020	15,876,823
2021	3,555,596
2022	15,829,137
Thereafter	<u>8,462,310</u>
	<u>\$ 67,569,635</u>

Actuarial Assumptions

The total pension asset at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. 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, 2016 valuations 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, 2016 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	35.0	5.9
International Equities	18.0	7.4
Real Estate	11.0	4.3
Private Equities	8.0	9.0
Domestic Fixed Income Securities	16.0	1.6
Global Fixed Income Securities	2.0	1.3
High-yield Fixed Income Securities	1.0	3.9
Mortgages	8.0	2.8
Short-term	<u>1.0</u>	0.6
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.50%. 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 School District using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.50%</u>
Proportionate Share of Net Pension Liability (Asset)	\$146,564,437	\$ (8,507,814)	\$(138,373,127)

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, 2018, 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	\$ 114,708,261,032	\$ 1,283,933,007	1.1193030%
Net position	<u>(115,468,360,316)</u>	<u>(1,292,440,824)</u>	1.1193030%
Net pension liability (asset)	<u>\$ (760,099,284)</u>	<u>\$ (8,507,817)</u>	1.1193030%
Fiduciary net position as a percentage of total pension liability	100.66%	100.66%	

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the School District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the School District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District's Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The School District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	2,514
Inactive employees entitled to but	
not yet receiving benefits	-
Active employees	<u>3,392</u>
Total participants	<u><u>5,906</u></u>

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$641,902,041 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Reporting Date	6/30/2018
Measurement Date	6/30/2018
Actuarial Valuation Date	7/1/2017
Discount Rate	3.62%
Rate of compensation increase	3.00%
Inflation rate	2.25%
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period	8.452 years

The discount rate was based on an analysis of returns on the Fidelity General Obligation 20-Year AA Municipal Bond Index as of June 30, 2017 and June 30, 2018 yielded discount rates of 3.56% and 3.62% respectively.

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 mortality improvement scale on a fully generational basis. This assumption was based on a review of published mortality tables and the demographics of the Plan.

The actuarial assumptions used in the July 1, 2017 valuation were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the employer and plan members.

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	<u>\$624,693,166</u>
Changes for the Year-	
Service cost	19,103,347
Interest	22,589,595
Changes of benefit terms	-
Changes in assumptions or other inputs	(5,655,185)
Differences between expected and actual experience	(314,221)
Benefit payments	<u>(18,514,661)</u>
Net changes	<u>17,208,875</u>
Balance at June 30, 2018	<u>\$641,902,041</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56% as of July 1, 2017, to 3.62% as of June 30, 2018.

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62%) or 1 percentage point higher (4.62%) than the current discount rate:

	1% Decrease <u>(2.62%)</u>	Current Discount <u>(3.62%)</u>	1% Increase <u>(4.62%)</u>
Total OPEB Liability	\$ <u>745,933,863</u>	\$ <u>641,902,041</u>	\$ <u>557,593,940</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.25-5.25%) or 1 percentage point higher (8.25-7.25%) than the current healthcare cost trend rate:

	<u>Healthcare Cost Trend Rate</u>		
	1% Decrease <u>(6.25-5.25%)</u>	Current Discount <u>7.25-6.25%</u>	1% Increase <u>(8.25-7.25%)</u>
Total OPEB Liability	\$ <u>542,105,278</u>	\$ <u>641,902,041</u>	\$ <u>769,786,787</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$40,986,671. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 4,986,091
Difference between expected and actual experience	<u>-</u>	<u>277,044</u>
Total	<u>\$ -</u>	<u>\$ 5,263,135</u>

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Deferred inflows will be recognized as follows:

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2019	\$ (706,271)
2020	(706,271)
2021	(706,271)
2022	(706,271)
2023	(706,271)
Thereafter	<u>(1,731,780)</u>
	<u>\$ (5,263,135)</u>

9. CONTINGENCIES AND COMMITMENTS

The School District may be subject to lawsuits in the ordinary conduct of its affairs. The School District does not believe any outstanding items are likely to have a material, adverse effect on the financial statements at June 30, 2018.

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 School 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 School 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, 2018.

The School 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 School District's administration believes disallowances, if any, will be immaterial.

10. SELF-INSURANCE

The School 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, 2018:

	<u>Medical</u>	<u>Workers' Compensation</u>
July 1, 2017	\$ 331,156	\$ 36,893,875
Claims in current year, net of payments for all claims	<u>1,550,030</u>	<u>(801,351)</u>
June 30, 2018	<u>\$ 1,881,186</u>	<u>\$ 36,092,524</u>

The School 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. NEW AND UPCOMING ACCOUNTING PRONOUNCEMENTS

Implemented in the Current Year

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 School District adopted the provisions of this Statement for the current year ended June 30, 2018.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The School District adopted the provisions of this Statement for the current year ended June 30, 2018 with no material effect.

In March 2016, the GASB issued Statement No. 82, Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The School District adopted the provisions of this Statement for the current year ended June 30, 2018.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issued related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The School District adopted the provisions of this Statement for the current year ended June 30, 2018.

11. NEW AND UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

Implemented in the Current Year (Continued)

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. The School District adopted the provisions of this Statement for the current year ended June 30, 2018 with no material effect.

Not Yet Implemented

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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 this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

11. NEW AND UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

Not Yet Implemented (Continued)

In June 2018, the GASB issued Statement No. 89 Accounting for Interest Costs Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest incurred before the end of construction period. The Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The School District is in the process of assessing the impact of these statements on its future financial statements.

12. SUBSEQUENT EVENTS

On October 10, 2018, the Syracuse City School District's Board of Education approved a resolution to authorize a borrowing not to exceed \$80,000,000 for the JSCB Phase II projects at Corcoran High School and Nottingham High School.

On September 13, 2018, the School District issued \$32,444,000 in Revenue Anticipation Notes at 3.50% maturing on March 29, 2019 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 20, 2018.

13. PRIOR PERIOD ADJUSTMENT – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The School District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other postemployment benefits on the statement of net position were adjusted as noted in the following table:

	<u>District-Wide Statement of Net Position</u>	
	<u>Other</u>	
	<u>Postemployment</u>	<u>Net</u>
	<u>Benefits</u>	<u>Position</u>
Balance at June 30, 2017, as previously reported	\$ 486,332,866	\$ (254,498,177)
Restatement of beginning balance - Adoption of GASB Statement No. 75		
Increase to liability	<u>138,360,300</u>	<u>(138,360,300)</u>
Balance at June 30, 2017, as restated	<u>\$ 624,693,166</u>	<u>\$ (392,858,477)</u>

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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund					
	Budgeted Amounts		Actual	Add: Current Year Encumbrances	Total Current Year Expenditures and Encumbrances	Budget Variance Favorable (Unfavorable)
	Original	Final				
REVENUES						
General property taxes	\$ 58,806,989	\$ 58,806,989	\$ 59,413,001	\$ -	\$ 59,413,001	\$ 606,012
Nonproperty taxes	637,989	637,989	690,178	-	690,178	52,189
Charges for services	150,000	150,000	200,973	-	200,973	50,973
Use of money and property	261,000	261,000	629,130	-	629,130	368,130
Sale of property and compensation for loss	27,100	27,100	106,726	-	106,726	79,626
Miscellaneous	1,190,000	1,190,000	916,090	-	916,090	(273,910)
State and local sources	341,155,775	341,155,775	338,421,674	-	338,421,674	(2,734,101)
Federal sources	1,685,000	1,685,000	2,294,313	-	2,294,313	609,313
Total revenues	403,913,853	403,913,853	402,672,085	-	402,672,085	(1,241,768)
OTHER SOURCES						
Premium on issuance of revenue anticipation note	-	-	440,864	-	440,864	440,864
Operating transfers in	4,750,000	4,750,000	5,050,176	-	5,050,176	300,176
Total revenues and other sources	408,663,853	408,663,853	408,163,125	-	408,163,125	(500,728)
EXPENDITURES AND ENCUMBRANCES						
General support	63,774,308	63,774,308	57,384,382	1,106,576	58,490,958	5,283,350
Instruction	306,502,441	306,502,441	288,105,954	2,676,045	290,781,999	15,720,442
Pupil transportation	24,783,069	24,783,069	23,042,648	30,208	23,072,856	1,710,213
Pass-through New York State funding to JSCB	11,723,969	11,723,969	8,984,981	-	8,984,981	2,738,988
Debt Service	1,191,500	1,191,500	1,947,071	-	1,947,071	(755,571)
Total expenditures and encumbrances	407,975,287	407,975,287	379,465,036	3,812,829	383,277,865	24,697,422
OTHER USES						
Operating transfers out	11,611,044	11,611,044	13,562,633	-	13,562,633	(1,951,589)
Total expenditures and other uses	419,586,331	419,586,331	393,027,669	3,812,829	396,840,498	22,745,833
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER USES	\$ (10,922,478)	\$ (10,922,478)	\$ 15,135,456	\$ (3,812,829)	\$ 11,322,627	\$ 22,245,105

CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 19,103,347									
Interest	22,589,595									
Changes of benefit terms	-									
Differences between expected and actual experience	(314,221)									
Changes in assumptions	(5,655,185)									
Benefit payments	(18,514,661)									
Total change in total OPEB liability	17,208,875									
Total OPEB liability - beginning	624,693,166									
Total OPEB liability - ending	\$ 641,902,041									
Covered-employee payroll	\$ 239,120,856									
Total OPEB liability as a percentage of covered-employee payroll	268.4%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.62%	3.56%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused an increase in the total liability and decrease in service costs.

The healthcare trend cost rates have been reset to an initial rate of 6.25%-7.25% decreasing to an ultimate rate of 3.89% in 2078, which caused an increase in liabilities.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

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) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.1427046%	0.1376588%	0.1323220%	0.1295850%						
Proportionate share of the net pension liability (asset)	\$ 4,606	\$ 12,935	\$ 21,238	\$ 4,378						
Covered-employee payroll	\$ 43,232	\$ 39,296	\$ 37,080	\$ 33,468						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.65%	32.92%	57.28%	13.08%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	297.95%						

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)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	1.119303%	1.137868%	1.051631%	1.072093%						
Proportionate share of the net pension liability (asset)	\$ (8,508)	\$ 12,187	\$ (109,231)	\$ (119,425)						
Covered-employee payroll	\$ 177,373	\$ 175,373	\$ 157,918	\$ 158,365						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.80%	6.95%	-69.17%	-75.41%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 5,650	\$ 5,409	\$ 5,656	\$ 5,817						
Contributions in relation to the contractually required contribution	5,650	5,409	5,656	5,817						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$43,232	\$39,296	\$37,080	\$33,468						
Contributions as a percentage of covered-employee payroll	13.07%	13.76%	15.25%	17.38%						

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)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 20,788	\$ 23,283	\$ 27,692	\$ 25,734						
Contributions in relation to the contractually required contribution	20,788	23,283	27,692	25,734						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 177,373	\$ 175,373	\$ 157,918	\$ 158,365						
Contributions as a percentage of covered-employee payroll	11.72%	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.

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, 2018

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Pooled restricted cash and cash equivalents held by City	\$ -	\$ 906,473	\$ -	\$ -	\$ 906,473
Pooled restricted cash and cash equivalents held by District	-	-	-	17,009	17,009
Receivables:					
Due from other funds	5,979,702	4,190,044	546,246	-	10,715,992
State and Federal aid receivables	2,688,994	12,474	-	-	2,701,468
Other	26,284	-	-	-	26,284
Inventory	625,788	-	-	-	625,788
 Total assets	<u>\$ 9,320,768</u>	<u>\$ 5,108,991</u>	<u>\$ 546,246</u>	<u>\$ 17,009</u>	<u>\$ 14,993,014</u>
LIABILITIES					
Accounts payable	\$ 667,892	\$ 207,860	\$ -	\$ -	\$ 875,752
Accrued payroll	99,283	-	-	-	99,283
Due to other governments	752	-	-	-	752
 Total liabilities	<u>767,927</u>	<u>207,860</u>	<u>-</u>	<u>-</u>	<u>975,787</u>
FUND BALANCE					
Non-spendable	625,788	-	-	-	625,788
Restricted	7,927,053	4,901,131	546,246	17,009	13,391,439
 Total fund balances	<u>8,552,841</u>	<u>4,901,131</u>	<u>546,246</u>	<u>17,009</u>	<u>14,017,227</u>
 Total liabilities and fund balances	<u>\$ 9,320,768</u>	<u>\$ 5,108,991</u>	<u>\$ 546,246</u>	<u>\$ 17,009</u>	<u>\$ 14,993,014</u>

The notes are an integral part of these schedules.
See independent auditor's report

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, 2018

	School Food Service	Capital Projects	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES					
Use of money and property	\$ 36	\$ -	\$ 9,895	\$ 14	\$ 9,945
State and local sources	367,051	22,859	-	-	389,910
Federal sources	14,879,326	-	-	-	14,879,326
Surplus food	816,789	-	-	-	816,789
Sales - School Food Service Program	265,610	-	-	-	265,610
Total revenues	16,328,812	22,859	9,895	14	16,361,580
EXPENDITURES					
General Support	7,752,925	-	-	-	7,752,925
Principal	-	-	6,535,185	-	6,535,185
Interest	-	-	1,552,176	-	1,552,176
Cost of sales	7,207,870	-	-	-	7,207,870
Capital outlay	-	2,879,149	-	-	2,879,149
Total expenditures	14,960,795	2,879,149	8,087,361	-	25,927,305
Excess (deficiency) of revenues over expenditures	1,368,017	(2,856,290)	(8,077,466)	14	(9,565,725)
OTHER FINANCING SOURCES AND USES					
Proceeds from debt	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Proceeds of Refunding Bonds	-	-	14,535,000	-	14,535,000
Premium on Refunding Bonds	-	-	1,742,593	-	1,742,593
Payment to Escrow Agent	-	-	(16,277,593)	-	(16,277,593)
Operating transfers in	-	2,738,988	8,087,361	-	10,826,349
Operating transfers out	(1,732,028)	(500,000)	-	-	(2,232,028)
Total other financing sources (uses)	(1,732,028)	2,238,988	8,087,361	-	8,594,321
Net change in fund balances	(364,011)	(617,302)	9,895	14	(971,404)
Fund balances - beginning of year	8,916,852	5,518,433	536,351	16,995	14,988,631
Fund balances - end of year	<u>\$ 8,552,841</u>	<u>\$ 4,901,131</u>	<u>\$ 546,246</u>	<u>\$ 17,009</u>	<u>\$ 14,017,227</u>

The accompanying notes are an integral part of these schedules.
See the independent auditor's report

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, 2018

Project Title	Expenditures to Date						Unexpended (Overexpended) Balance	Methods of Financing				Fund Balance June 30, 2018
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Projects Closed	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
SSBA - SSIP1	\$ 1,370,404	\$ 1,370,404	\$ 1,255,573	\$ 7,376	\$ -	\$ 1,262,949	\$ 107,455	\$ -	\$ 1,262,949	\$ -	\$ 1,262,949	\$ -
SSBA - SSIP2	350,000	350,000	-	11,483	-	11,483	338,517	-	11,483	-	11,483	-
Henninger Field Renovations	2,600,000	2,525,000	93,289	2,104,691	-	2,197,980	327,020	2,525,000	-	-	2,525,000	327,020
All other various	<u>1,850,000</u>	<u>5,370,116</u>	<u>176,387</u>	<u>755,599</u>	<u>135,982</u>	<u>796,004</u>	<u>4,574,112</u>	<u>975,000</u>	<u>-</u>	<u>4,395,115</u>	<u>5,370,115</u>	<u>4,574,111</u>
TOTAL	<u>\$ 6,170,404</u>	<u>\$ 9,615,520</u>	<u>\$ 1,525,249</u>	<u>\$ 2,879,149</u>	<u>\$ 135,982</u>	<u>\$ 4,268,416</u>	<u>\$ 5,347,104</u>	<u>\$ 3,500,000</u>	<u>\$ 1,274,432</u>	<u>\$ 4,395,115</u>	<u>\$ 9,169,547</u>	<u>\$ 4,901,131</u>

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, 2018

Capital assets, net		\$ 294,015,041
Add:		
Deferred loss on early retirement of debt		741,074
Deduct:		
Premium on bonds payable	23,802,956	
Short-term portion of bonds payable	13,528,864	
Long-term portion of bonds payable	210,356,697	
Less: unspent bond proceeds	(128,860,269)	
Less: bond proceeds not related to capital assets	<u>(3,371)</u>	<u>(118,824,877)</u>
Net investment in capital assets		<u>\$ 175,931,238</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 12, 2018

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, 2018, 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 12, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(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*.

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 12, 2018

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 programs for the year ended June 30, 2018. The School District's major federal programs are 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 each of the School District's major federal programs 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 Programs

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 each of its major federal programs for the year ended June 30, 2018.

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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, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed-through NYS Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ <u>3,999,475</u>
National School Lunch Program	10.555	N/A	8,500,014
National School Lunch Program - Non-Cash Assistance (Food Distribution)	10.555	N/A	816,789
After School Snack Program	10.555	N/A	<u>786,629</u>
Total National School Lunch Program			<u>10,103,432</u>
Child and Adult Care Food Program	10.558	N/A	<u>455,734</u>
Summer Food Service Program for Children	10.559	N/A	<u>466,974</u>
Total Child Nutrition Cluster			15,025,615
Fresh Fruit and Vegetable Program	10.582	N/A	<u>670,500</u>
Total U.S. Department of Agriculture			<u>15,696,115</u>
Environmental Protection Agency			
Passed-through Onondaga Environmental Institute:			
Environmental Education Grants	66.951	N/A	<u>5,174</u>
Total Environmental Protection Agency			<u>5,174</u>
U.S. Department of Education			
Passed-through Onondaga Cortland Madison Counties BOCES:			
Adult Education - Basic Grants to States WIA - Title II Adult Basic	84.002	N/A	23,540
Passed-through NYS Department of Education:			
Adult Education - Basic Grants to States WIA-Title II Adult Basic	84.002	2338182123	<u>262,585</u>
Total Adult Education - Basic Grants to States			<u>286,125</u>
Title I, Grants to Local Educational Agencies			
Title I, School Improvement Professional Development	84.010	0011177031	43,678
Title I, School Improvement Professional Development	84.010	0011187031	453,685
Title I, Part A	84.010	0021172165	3,982,766
Title I, Part A	84.010	0021182165	13,839,954
Title I, Integration Project	84.010	0011187140	3,152
Title I, School Improvement	84.010	0011172006	147,069
Title I, School Improvement	84.010	0011182006	<u>323,990</u>
Total Title I Grants to Local Educational Agencies			<u>18,794,294</u>

The accompanying notes to the schedule of federal awards are an integral part of these statements.
See independent auditor's report

**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, 2018
(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>
U.S. Department of Education (Continued)			
Passed-through NYS Department of Education (Continued):			
Special Education Cluster:			
Special Education - Grants to States			
Section 611 PL194-145	84.027	0032170656	38,482
Section 611 PL194-145	84.027	0032180656	6,188,501
SE SIS (formerly SETRC)	84.027	C012202	385,188
IDEA Program Development, Students with Disabilities	84.027	0031180015	<u>250,316</u>
Total Special Education - Grants to States			<u>6,862,487</u>
Special Education - Preschool Grants			
Special Education - Preschool Grants	84.173	0033170656	(2,934)
Special Education - Preschool Grants	84.173	0033180656	<u>351,191</u>
Total Special Education - Preschool Grants			<u>348,257</u>
Total Special Education Cluster			<u>7,210,744</u>
Career and Technical Education - Basic Grants to States			
Pathways in Technology Early College High School	84.048	8039170013	43,615
Pathways in Technology Early College High School	84.048	8039180013	420,625
Perkins IV CTEIA	84.048	8000170010	3,161
Perkins IV CTEIA	84.048	8000180010	<u>187,013</u>
Total Career and Technical Education - Basic Grants to States			<u>654,414</u>
Education for Homeless Children and Youth	84.196	0212183033	<u>93,779</u>
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	0187176118	8,091
Twenty-First Century Community Learning Centers	84.287	0187186118	<u>1,193,390</u>
Total Twenty-First Century Community Learning Centers			<u>1,201,481</u>
English Language Acquisition Grants			
Title III, Part A Immigration	84.365	0149172165	15,064
Title III, Part A Immigration	84.365	0149182165	62,560
Title III, Part A Students with Interrupted/Inconsistent Formal Education (SIFE)	84.365	0153172165	68,964
Title III, Part A Limited English Proficiency	84.365	0293172165	95,880
Title III, Part A Limited English Proficiency	84.365	0293182165	387,311
Title III, Part A Supplemental Funds	84.365	0154182165	<u>4,345</u>
Total English Language Acquisition Grants			<u>634,124</u>
Mathematics and Science Partnerships			
Title II, B Math and Science	84.366	0294170206	12,845
Title II, B Math and Science	84.366	0294170214	<u>5,225</u>
Total Mathematics and Science Partnerships			<u>18,070</u>
Supporting Effective Instruction State Grants			
Title II, Part A	84.367	0147172165	1,121,850
Title II, Part A	84.367	0147182165	<u>761,596</u>
Total Improving Teacher Quality State Grants			<u>1,883,446</u>

The accompanying notes to the schedule of federal awards are an integral part of these statements.
See independent auditor's report

**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, 2018
(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>
U.S. Department of Education (Continued)			
Passed-through NYS Department of Education (Continued):			
Temporary Emergency Impact Aid for Displaced Students (Emergency Impact Aid) Program	84.938	0080182165	<u>491,500</u>
School Improvement Grants:			
School Improvement Grant	84.377	0123177022	7,211
School Improvement Grant	84.377	0123187022	496,580
School Improvement Grant	84.377	0123176117	2,845
School Improvement Grant	84.377	0123186117	495,186
School Improvement Grant	84.377	0123176119	12,278
School Improvement Grant	84.377	0123186119	500,000
School Improvement Grant	84.377	0123174204	61,719
School Improvement Grant	84.377	0123184204	250,000
School Improvement Grant	84.377	0123177021	12,089
School Improvement Grant	84.377	0123187201	500,000
School Improvement Grant	84.377	0123174108	42,880
School Improvement Grant	84.377	0123184108	250,000
School Improvement Grant	84.377	0123176116	6,609
School Improvement Grant	84.377	0123186116	500,000
School Improvement Grant	84.377	0123174205	32,039
School Improvement Grant	84.377	0123184205	250,000
School Improvement Grant	84.377	0123186118	500,000
School Improvement Grant	84.377	0123177623	(434)
School Improvement Grant	84.377	0123187623	459,845
School Improvement Grant	84.377	0123177622	43,114
School Improvement Grant	84.377	0123187622	460,714
School Improvement Grant	84.377	0123174201	20,046
School Improvement Grant	84.377	0123184201	250,000
School Improvement Grant	84.377	0123184203	250,000
School Improvement Grant	84.377	0123174202	980
School Improvement Grant	84.377	0123184202	250,000
School Improvement Grant	84.377	0123174107	42,372
School Improvement Grant	84.377	0123184107	<u>250,000</u>
Direct:			
School Improvement Grants	84.377	N/A	<u>478,233</u>
Total School Improvement Grants			<u>6,424,306</u>
Direct:			
Impact Aid	84.041	N/A	<u>76,558</u>
Indian Education - Grants to Local Educational Agencies	84.060	N/A	<u>133,562</u>
Total U.S. Department of Education			<u>37,902,403</u>
U.S. Department of Health and Human Services			
Passed-through NYS Department of Temporary and Disability Assistance:			
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	C00194GG	<u>494,369</u>
Total U.S. Department of Health and Human Services			<u>494,369</u>
Total Expenditures of Federal Awards			\$ <u>54,098,061</u>

The accompanying notes to the schedule of federal awards are an integral part of these statements.
See independent auditor's report

**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, 2018**

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 "School 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, 2018, the School District received food commodities, the fair market value of which amounted to \$816,789 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, 2018.

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

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2018**

Section I - Financial Statement Findings

Reference Number: 2017-001

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.

Status:

The School District has implemented procedures and taken appropriate steps to report all JSCB transactions in the appropriate period.

Section II - Federal Awards Findings and Questioned Costs

There were no prior year findings.

**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, 2018**

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 No

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

Noncompliance material to financial statements noted? Yes 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 No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster (IDEA)
84.377	School Improvement Grants
84.367	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$1,622,942

Auditee qualified as low-risk auditee? 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, 2018**

Section II - Financial Statement Findings

There were no financial statement findings that are required to be reported.

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.