

CITY OF SYRACUSE, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Mr. Matthew J. Driscoll
and the Members of the Common Council
City of Syracuse, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Syracuse Urban Renewal Agency, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Syracuse, New York's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Syracuse Industrial Development Agency or the Syracuse Economic Development Corporation, both of which are discretely presented component units, which collectively represent 98.5% and 99.9%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Syracuse Industrial Development Agency and Syracuse Economic Development Corporation, is based solely on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

(Continued)

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York, as of June 30, 2006, and the respective changes in financial position and cash flows of its business-type activities, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 15 and page 63, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We, and other auditors, have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Syracuse, New York's basic financial statements taken as a whole. The combining fund statements, which are listed in the table of contents as the supplemental section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007, on our consideration of the City of Syracuse, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



January 5, 2007
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

Our discussion and analysis of City of Syracuse's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006.

Please read it in conjunction with the City's basic financial statements, including the notes to the financial statements, which begin on page 30. In this discussion and analysis all amounts are expressed in millions of dollars, unless otherwise indicated.

FINANCIAL HIGHLIGHTS

The City's total net assets increased by approximately \$11.5 as a result of this year's operations. Net assets of our governmental activities decreased by \$1.1, while business-type activities increased by approximately \$12.6.

During the year, excluding capital contributions of \$6.9, the City had revenues that were \$4.6 more than the \$604.4 in total program expenses. Last year revenues exceeded expenses by \$21.9 before capital contributions of \$5.2.

In the City's business-type activities, revenues increased to \$70.0, a 7.4% increase over last year's revenues of \$65.2. Expenses for this year increased to \$62.3, a 6% increase over last year's \$58.8.

In the City's governmental activities, revenues decreased slightly to \$539.0 versus last year's revenues of \$542.9. Expenses increased this year (before transfers) to \$542.1 versus last year at \$527.4, a 2.8% increase.

Of the City's total governmental net assets reported at June 30, 2006, \$176.7 was invested in capital assets (net of related debt) versus \$186.4 the previous year. Unrestricted net assets this year were (\$52.8) versus last year's (\$58.4).

The City's general fund reported a surplus for this year of \$1.0, including other financing sources and uses. The resources available for appropriation (revenues and bond proceeds) were approximately \$4.0 more than the revised budget. Expenditures, including transfers out, were approximately \$6.6 under the revised budget. At the end of the current fiscal year, undesignated fund balance of the City's general fund was \$21.0 and 11.2% of total general fund actual expenditures (including transfers out).

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 16 and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets (what the citizens own) and liabilities (what the citizens owe) as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, and the condition of the City's capital assets (streets, buildings, water and sewer lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities --- Most of the City's basic services are reported here, including the police, fire, public works, community development and parks & recreation departments, and general administration. The City School District's operations are also reported here. State aid, sales tax, property taxes and federal and state grants finance most of these activities.
- Business-type activities --- The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems, as well as the airport activities, are reported here. In addition, the City School District's food service operations are reported as business-type activities.

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**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

Reporting the City as a Whole (Cont'd)

- Component units --- The City includes three separate legal entities in its report --- the Syracuse Industrial Development Agency, the Syracuse Economic Development Corporation, and the Syracuse Urban Renewal Agency.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 9. The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Local Development Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds, governmental and proprietary use different accounting approaches.

- *Governmental funds* --- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation accompanying the fund financial statements.
- *Proprietary funds* --- When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these assets to finance the City's operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. *Agency funds* are reported on a full accrual basis and only present a statement of assets and liabilities.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY AS A WHOLE

The City's combined net assets increased from \$237.6 at June 30, 2005 to \$249.2 at June 30, 2006. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 189.9	\$ 185.5	\$ 60.9	\$ 55.5	\$ 250.8	\$ 241.0
Capital assets	<u>366.9</u>	<u>358.8</u>	<u>142.0</u>	<u>128.2</u>	<u>508.9</u>	<u>487.0</u>
Total assets	<u>\$ 556.8</u>	<u>\$ 544.3</u>	<u>\$ 202.9</u>	<u>\$ 183.7</u>	<u>\$ 759.7</u>	<u>\$ 728.0</u>
General obligation bonds outstanding	\$ 247.3	\$ 237.8	\$ 66.0	\$ 59.2	\$ 313.3	\$ 297.0
Other long-term liabilities	119.7	113.7	4.9	3.8	124.6	117.5
Other liabilities	<u>60.2</u>	<u>62.1</u>	<u>12.4</u>	<u>13.8</u>	<u>72.6</u>	<u>75.9</u>
Total liabilities	<u>\$ 427.2</u>	<u>\$ 413.6</u>	<u>\$ 83.3</u>	<u>\$ 76.8</u>	<u>\$ 510.5</u>	<u>\$ 490.4</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 176.7	\$ 186.4	\$ 87.7	\$ 79.7	\$ 264.4	\$ 266.1
Restricted	5.7	2.7	.5	.4	6.2	3.1
Unrestricted (deficit)	<u>(52.8)</u>	<u>(58.4)</u>	<u>31.4</u>	<u>26.8</u>	<u>(21.4)</u>	<u>(31.6)</u>
Total net assets	<u>\$ 129.6</u>	<u>\$ 130.7</u>	<u>\$ 119.6</u>	<u>\$ 106.9</u>	<u>\$ 249.2</u>	<u>\$ 237.6</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. By far, the largest portion of the City's total net assets reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt still outstanding that was used to acquire those assets. At June 30, 2006 this balance was \$264.4 versus \$266.1 at June 30, 2005. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net assets, \$6.2 at June 30, 2006, represents resources that are subject to external restrictions on how they may be used and are reported as *restricted* net assets. The remaining category of total net assets, *unrestricted* net assets may be used to meet the government's ongoing obligations and services to creditors and citizens, especially in the future. In the City's case, total unrestricted net assets as June 30, 2006 were a deficit of \$21.4, versus a deficit at June 30, 2005 of \$31.6.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY AS A WHOLE (CONT'D)

Governmental activities

Total net assets of the City's governmental activities decreased slightly, from \$130.7 to \$129.6 as of June 30, 2006.

The *deficit* in *unrestricted* net assets changed for the better, decreasing to \$52.8 at June 30, 2006 compared to the previous year *deficit* of \$58.4. This was a positive change of \$5.6 in the unrestricted net assets of the City's governmental activities.

Business-type activities

The net assets of our business-type activities increased by 11.9% in 2006 (\$119.6 compared to \$106.9). Approximately 2/3 (two-thirds) of this increase, or \$8.0 was invested in capital assets. The remainder, approximately \$4.7, is an increase in unrestricted assets, primarily due to a surplus from operations in both the water and sewer operation. In addition, this increase generally cannot be used to make up for the decrease reported in the governmental activities. The City can generally only use these net assets to finance the continuing operations of the airport, water and sewer operations and the food service program.

Changes in net assets

The change in net assets during the most recent fiscal year is reported in the Statement of Activities found on page 17. Key elements of this change are illustrated in Table 2 below.

Table 2
Changes in Net Assets (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Fees, fines and charges for services	\$ 15.2	\$ 14.7	\$ 56.4	\$ 58.8	\$ 71.6	\$ 73.5
Grants and contributions	113.5	118.4	12.2	5.9	125.7	124.3
General revenues:						
Property taxes and tax items	82.7	84.9	-	-	82.7	84.9
Other taxes	3.8	3.5	-	-	3.8	3.5
Sales and use taxes	69.8	68.1	0.1	-	69.9	68.1
Unallocated state aid	242.5	237.2	-	-	242.5	237.2
Unallocated federal aid	6.4	13.2	-	-	6.4	13.2
Investment earnings	4.1	2.5	1.3	0.5	5.4	3.0
Other general revenues	1.0	.4	-	-	1.0	.4
Total revenues	<u>539.0</u>	<u>542.9</u>	<u>70.0</u>	<u>65.2</u>	<u>609.0</u>	<u>608.1</u>

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**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY AS A WHOLE (CONT'D)

Changes in net assets (Cont'd)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Program expenses						
Total governmental	542.1	527.4	-	-	542.1	527.4
School District Food Service	-	-	8.1	8.5	8.1	8.5
Aviation	-	-	37.2	34.5	37.2	34.5
Water	-	-	13.2	12.0	13.2	12.0
Sewer	-	-	3.8	3.8	3.8	3.8
Total expenses	<u>542.1</u>	<u>527.4</u>	<u>62.3</u>	<u>58.8</u>	<u>604.4</u>	<u>586.2</u>
Excess (deficiency) before transfers	(3.1)	15.5	7.7	6.4	4.6	21.9
Transfers	2.0	3.0	(2.0)	(3.0)	-	-
Capital contributions	-	-	6.9	5.2	6.9	5.2
Increase (decrease) in net assets	<u>\$ (1.1)</u>	<u>\$ 18.5</u>	<u>\$ 12.6</u>	<u>\$ 8.6</u>	<u>\$ 11.5</u>	<u>\$ 27.1</u>

The City's total revenues in 2006 increased slightly by \$0.9 (\$609.0 compared to the previous year of \$608.1). The total cost of all programs and services increased by 3.1% or \$18.2 (\$604.4 compared to \$586.2). The increase in revenues was more than sufficient to cover this year's costs, exceeding costs by \$4.6. This increase, combined with capital contributions of \$6.9, increased the net assets of the City by \$11.5 for fiscal year 2006 versus an increase of \$27.1 for fiscal year 2005. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

As mentioned previously in "FINANCIAL HIGHLIGHTS", revenues for the City's governmental activities decreased slightly from \$542.9 in 2005 to \$539.0 in 2006, a decrease of \$3.9. Program expenses increased in 2006, going from \$527.4 in 2005 to \$542.1 in 2006, a 2.8% or \$14.7 increase.

Although revenues were comparable between 2006 and 2005, Unallocated State Aid increased by approximately \$5.3, but was offset by decreases in Unallocated Federal Aid of \$6.8 and Grant revenues of \$4.9. See Table 2 for more detail.

Program expenses were \$14.7 higher in 2006; \$542.1 in 2006 as compared to \$527.4 in 2005. This was primarily related to Education, which was \$12.4 higher in 2006 than 2005. The increase in program expenses together with the slight decrease in program revenues, as discussed above, resulted in a slight decrease in net assets for 2006 of (\$1.1), versus an increase in net assets for 2005 of \$18.5.

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**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY AS A WHOLE (CONT'D)

Business-type Activities

Revenues in the City's business-type activities (See Table 2) increased by 7.4%, or \$4.8 (\$70.0 in 2006 as compared to \$65.2 in 2005). This increase, as compared to 2005, was related to Capital Grants in both the Airport (\$2.9 increase) and Sewer operations (\$2.7 increase), with a slight decrease in Airport Service revenues (\$2.7).

Expenses of the City's business-type activities increased by 6.0%, or \$3.5 (\$62.3 versus \$58.8 last year). Substantially all of this increase was related to the airport (\$2.7) and water operations (\$1.2). Although both program revenues and expenses increased in 2006 versus 2005, the excess before transfers and capital contributions for 2006 was \$7.7. This is comparable to 2005, which was \$6.4. When transfers and capital contributions are considered, the increase in net assets of the business-type activities for 2006 was \$12.6 versus \$8.6 for 2005 (see Table 2 for more detail).

THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds --- As noted earlier the focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$82.2, which is just slightly less than last year's total of \$83.8. Approximately \$45.8 this year, versus \$48.1 last year, is available for spending at the government's discretion (*unreserved fund balance*). The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a particular purpose by law or other legal provision.

- *General fund* --- The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$31.4, while total fund balance was \$31.9. Last year unreserved fund balance was \$30.5 and total fund balance was \$30.9. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For the current year ending June 30, 2006, unreserved fund balances represent 16.8% of total fund expenditures (including transfers out), while total fund balance represents 17.0% of that same amount. The fund balance of the City's general fund increased by approximately \$1.0 during the current fiscal year. The original adopted budget for 2006 included appropriated fund balance of \$9.6 as budget revenue to balance the budget with expenditures. Thus, from a financial statement presentation view, it would have been expected that actual expenditures would have exceeded revenues by \$9.6, if actual performance mirrored original budget expectations. However, as discussed

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**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY'S FUNDS (CONT'D)

earlier, the general fund actually had a surplus of approximately \$1.0 due mostly to higher than anticipated revenues from sales tax (\$3.7), collection of prior years property taxes (\$1.0), investment interest (\$1.0), mortgage tax (\$0.5), sale of a building (\$0.8), together with actual expenditures that were lower than the original budget by approximately \$2.8 across all functions. Actual revenues exceeded the final, revised budget by \$4.2; and expenditures were \$5.8 less than the final, revised budget.

- *Capital projects fund* --- The capital projects fund accounts for the construction and reconstruction of general public improvements and major asset purchases, excluding projects related to business-type activities, which are accounted for in each business-type activity. At the end of the current fiscal year, the fund balance was \$22.4. Of this amount \$4.8 was encumbered for contracts underway and \$17.6 was reserved for bonded capital projects and bonded debt.
- *School district special revenue fund* --- The School District special revenue fund is comprised of the School District's general operating fund and the special aid fund. The combined total fund balance at the end of the current fiscal year was \$18.6; last year it was \$20.2. The decrease of \$1.6 is related to an operating deficiency for the year in the School District's general fund. Revenues, in the School District's general fund for the year (including transfers in and bond proceeds) were \$334.6 and expenditures (including transfers out) were \$336.3.
- *Community development special revenue fund* --- The Community Development fund is a special revenue fund used to account for the programs and projects primarily funded by the U.S. Department of Housing and Urban Development. The Community Development Fund accounts for its revenue and expenditures using grant accounting. Therefore, revenues are accrued as the expenditures are incurred. During the year, the fund recorded \$17.1 in both revenues and expenditures. For fiscal year 2005, the fund recorded revenues and expenditures of \$15.0. At June 30, 2006, total assets were \$13.3 and total liabilities were \$13.3. At the end of the previous fiscal year, total assets were \$10.9 and liabilities were \$10.9.

Proprietary funds --- The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All of the City's proprietary funds are enterprise funds and consist of the airport, water, sewer and the School District's food service fund. The net assets of the proprietary funds at the end of the current fiscal year totaled \$119.6. The increase of \$12.6 in total net assets of the proprietary funds from 2005 to 2006, by fund, was comprised of the following: aviation fund increased by \$7.7; the water fund increased by \$1.6; the sewer fund increased by \$3.3; and the School District food service fund had an insignificant increase of sixteen thousand dollars.

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**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

THE CITY'S FUNDS (CONT'D)

General Fund Budgetary Highlights

According to the City Charter, the City must adopt its budget no later than May 9 of each year for the ensuing fiscal year beginning on July 1. The City's general fund original budget, which is prepared on an operating basis, included estimated revenues and annual appropriations of \$191.0. Included in the estimated revenues was an appropriation of fund balance of \$9.6.

During the course of the year, the City's general fund budget was amended for various small items, resulting in a final, revised budget of \$194.0, utilizing \$9.7 of fund balance. See page 63 [Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis)] for presentation of the general fund original budget and final budget.

The actual performance of the general fund resulted in a surplus for the current year of approximately \$1.0, as compared to a final adopted budget with a deficit of \$9.7.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In accordance with GASB No. 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$508.9 (net of accumulated depreciation). The previous year's amount was \$487.0. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

The City's governmental capital assets were \$366.9 (net of accumulated depreciation) this year as compared to \$358.8 last year. For the City's business-type activities, the balance at the end of this year was \$142.0 (net of accumulated depreciation) as compared to \$128.2 last year.

Please refer to Note 3 in the notes to the basic financial statements for more detailed information regarding capital assets and accumulated depreciation.

In accordance with GASB No. 34, expenses related to capital assets which are constructed over more than one fiscal year are capitalized each fiscal year as "construction in progress" and are not depreciated. Upon accumulating all of the expenses for a capital asset in construction in progress, the total for the asset is reclassified to its proper depreciable category (i.e. buildings, machinery and equipment, improvements/infrastructure). Major capital asset additions affecting depreciable assets during the current fiscal year included the following, including expenditure amounts:

- School District Building Renovations -- \$11.0
- School District Furniture and Equipment -- \$8.1
- Street Reconstruction -- \$6.0

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Capital Assets (Cont'd)

- Parking Garage Improvements -- \$5.2
- Police Vehicles & Equipment -- \$1.6
- Fire Department Equipment -- \$1.3
- Street Resurfacing -- \$1.2
- General Equipment -- \$1.4
- Street Lighting and Traffic Control -- \$0.5
- Parking Meter Replacements -- \$0.4
- Sewer System Reconstruction -- \$3.6
- Water System Reconstruction -- \$0.9
- Sewer Equipment -- \$0.3
- Water Equipment -- \$0.3
- Airport Terminal Apron Rehab -- \$14.9
- Airport Taxiway B -- \$2.6
- Airport Perimeter Security Road -- \$2.1
- Airport Equipment -- \$1.2
- Airport General Safety Improvements -- \$1.0
- Airport Snow Equipment Building -- \$0.9
- Airport Parking Lot Improvements -- \$0.8

Depreciation expense for the current fiscal year was \$26.5 for governmental activities and \$10.2 for business-type activities.

Long-term Debt

At year-end the City had \$339.6 outstanding in bonds and notes versus \$321.8 last year, an increase of 5.5%. See Table 3 below for a breakdown of bonds and notes by governmental activities and business-type activities.

Table 3
Outstanding Debt at Year-end
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 247.3	\$ 237.8	\$ 66.0	\$ 59.2	\$ 313.3	\$ 297.0
Bond anticipation notes	6.6	1.8	2.0	1.0	8.6	2.8
Revenue anticipation notes	14.4	18.7	-	-	14.4	18.7
Tax anticipation notes	3.3	3.3	-	-	3.3	3.3
Total	\$ 271.6	\$ 261.6	\$ 68.0	\$ 60.2	\$ 339.6	\$ 321.8

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt (Cont'd)

With respect to general obligation bonds, total new debt issued during the year was \$90.4. However, \$51.8 of this amount were refunding bonds used to extinguish \$48.5 of debt outstanding (see Note 4 for additional information on the refunding). The remaining \$38.6 was used to finance capital projects and pension obligations. Major projects and the pension obligation bonds comprising most of the \$38.6 are as follows:

- School District Technology Improvements -- \$7.0
- Street Reconstruction -- \$3.7
- Fire Trucks & Vehicles -- \$1.8
- Police Vehicles -- \$1.0
- Streetscape Infrastructure Improvements -- \$2.3
- Parking Meter Replacements -- \$0.7
- Assessable Sidewalk Improvements -- \$1.6
- Playground & Pool Improvements -- \$0.6
- City-owned Sidewalk Replacements -- \$0.5
- Sweeping & Flushing Equipment -- \$1.1
- Parking Garage Rehab -- \$1.6
- Watershed Infrastructure -- \$1.5
- Water Lead Service Pipe Replacement -- \$5.3
- Sewer Reconstruction -- \$2.8
- Airport Deicing Area Improvements -- \$0.8
- Airport Vehicles & Equipment -- \$0.6
- Pension Obligations -- \$3.9

Also, during the year the City issued \$8.7 of bond anticipation notes (BANs). Of this amount, \$6.7 were issued on behalf of the School District to finance a roof replacement, athletic field renovations, school building sewage facilities and a survey of all building conditions, the majority of which will be reimbursed by New York State Building Aid and member items in the future. An additional \$2.0 in BANs were issued on behalf of the airport to finance various infrastructure projects located at the City's airport, most of which will be reimbursed by the Federal Aviation Administration in the future.

The City issued \$81.5 in revenue anticipation notes (RANs) in September 2005 (\$43.0 on behalf of the School District and \$38.5 for the City) for cash flow purposes. A large portion of both the City and School District's state aid is not received until the last quarter of the fiscal year; and therefore, necessitates cash flow borrowing to fund the day-to-day operations. These notes matured at the end of the fiscal year. Near the end of the fiscal year the City issued \$14.4 in revenue anticipation notes (\$8.6 for the School District and \$5.8 for the City) and \$3.3 in tax anticipation notes (TANs) for the School District to finance

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt (Cont'd)

day-to-day operations for the City and School District related to State and Federal aid, sales tax revenue and property tax revenue not yet received by year end.

In addition, please refer to Note 4 in the notes to the basic financial statements for more detailed information on the City's debt.

The City has a rating of Baal from Moody's Investors Service, a BBB+ rating from Standard & Poor's and a BBB from Fitch IBCA.

The New York State Constitution imposes a debt limit of 9 percent of the most recent five-year average of full valuation of taxable real estate in the City. Certain specified types of obligations are excluded. The limit as of the fiscal year end was \$312.4, which is above the City's outstanding general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Syracuse has several economic factors that affect the ability of the City to address local fiscal growth or stability. These factors include:

- Reliance on state aid for the City and the City School District
- A dependent school district resulting in high mandated costs and aging buildings
- A stagnant property tax base
- Modestly growing local revenues
- A declining population
- Significant percentage increases in employee health care
- High retirement system costs (See notes to the financial statements for more information.)

In setting the 2007 fiscal year budget, the property tax levy was increased by 6.3% as compared to the previous fiscal year. The actual combined property tax levy of the City and School District for fiscal year 2007 is \$76.6 (\$22.3 for the City and \$54.3 for the School District), compared with the previous year of \$72.1 (\$21.2 for the City and \$50.9 for the School District), exclusive of the State's STAR program. The City and School District combined property tax rate for 2007 is \$25.1202 per \$1,000 of assessed property value (\$7.4172 for the City and \$17.7030 for the School District).

The City's 2007 budget included \$9.3 use of fund balance for the City General Fund and the School District included \$2.6 use of fund balance to balance appropriations. In addition, the City budgeted, and will receive additional State aid of \$12.1 above fiscal year 2006. However, included in total State aid for 2007 is \$3.4 that is the last portion of a three-year State aid spin-up program. The City, as part of this State

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONT'D)

spin-up program, already received \$15.6 in fiscal year ending June 30, 2005 and received \$6.0 in fiscal year 2006.

The Airport fund will remain self-sufficient and will not affect the City's general fund operations for 2006.

Water rates were increased approximately 12.7% for 2007 and sewer rates were increased approximately 10.4% for 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact the office of the City's Commissioner of Finance at City Hall Room 128, 233 E. Washington Street, Syracuse, New York 13202.

Although the City School District is a blended component unit of the City, the City School District issues a separate financial statement. To obtain this report contact the Chief Financial Officer of the Syracuse City School District at 725 Harrison Street, Syracuse, New York 13210.

The Syracuse Industrial Agency (SIDA) and Syracuse Economic Development Corporation (SEDCO) are discretely presented component units with separately issued financial statements. To obtain these reports, contact the Economic Development Department at City Hall, Syracuse, New York 13202.

CITY OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
JUNE 30, 2006

	PRIMARY GOVERNMENT			Combined Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Pooled cash and cash equivalents	\$ 11,283,074	\$ 2,003,879	\$ 13,286,953	\$ -
Cash and cash equivalents	-	16,596,462	16,596,462	14,009,190
Receivables:				
Accounts	5,144,115	6,711,407	11,855,522	-
Taxes (net of allowance of \$15,508,208)	9,855,139	-	9,855,139	-
Other	-	-	-	843,381
Loans receivable - due within one year	7,601,830	-	7,601,830	5,221,713
Interest receivable	-	-	-	288,428
Due from other governments	75,677,860	6,024,615	81,702,475	43,062
Due from primary government	-	-	-	377,491
Due from component units (net of allowance of \$5,490,054)	589,855	-	589,855	24,909
Internal balances - due within one year	53,011,176	386,378	53,397,554	-
Inventories	-	180,352	180,352	-
Other assets	66,720	307,775	374,495	727,159
Restricted assets:				
Pooled cash and cash equivalents	21,301,499	11,344,395	32,645,894	-
Cash and cash equivalents	1,844,732	15,304,233	17,148,965	-
Deferred charges	3,502,677	1,357,351	4,860,028	-
Loans receivable - due in more than one year	-	-	-	12,328,199
Internal balances - due in more than one year	-	635,750	635,750	-
Capital assets:				
Nondepreciable	133,768,650	17,609,893	151,378,543	908,945
Depreciable, net	233,110,939	124,431,095	357,542,034	19,071,631
TOTAL ASSETS	\$ 556,758,266	\$ 202,893,585	\$ 759,651,851	\$ 53,844,108
LIABILITIES:				
Accounts payable and accrued expenses	31,151,529	8,415,223	39,566,752	242,419
Accrued interest expense	7,709,812	1,894,402	9,604,214	687,412
Due to other governments	7,146,014	-	7,146,014	18,652
Due to component units	-	34,022	34,022	-
Internal balances - due within one year	88,584	917,978	1,006,562	-
Deferred revenues	12,242,715	1,147,342	13,390,057	-
Other liabilities	1,206,492	457	1,206,949	-
Internal balances - due in more than one year	635,750	-	635,750	-
Long-term liabilities - due within one year	89,764,457	8,347,938	98,112,395	7,904,408
Due to primary government - due within one year	-	-	-	1,076,769
Long-term liabilities - due in more than one year	277,242,116	62,564,643	339,806,759	25,033,423
Due to primary government - due in more than one year	-	-	-	5,370,356
Total liabilities	427,187,469	83,322,005	510,509,474	40,333,439
NET ASSETS:				
Invested in capital assets, net of related debt	176,681,309	87,712,065	264,393,374	3,144,334
Restricted for:				
Debt service	4,452,479	-	4,452,479	-
Fire Training Center	23,388	-	23,388	-
Project Orange	215,786	-	215,786	-
Water project	-	451,091	451,091	-
EMS training	123,884	-	123,884	-
Trusts and permanent funds	525,894	-	525,894	-
Special Grants	305,290	-	305,290	-
Loan programs	-	-	-	970,606
Unrestricted	(52,757,233)	31,408,424	(21,348,809)	9,395,729
Total net assets	129,570,797	119,571,580	249,142,377	13,510,669
TOTAL LIABILITIES AND NET ASSETS	\$ 556,758,266	\$ 202,893,585	\$ 759,651,851	\$ 53,844,108

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

**CITY OF SYRACUSE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Fees, Fines and Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities			Total		
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government support	\$ 64,451,666	\$ 3,639,436	\$ 2,907,104	\$ 613,583	\$ (57,291,543)	\$ (57,291,543)	\$ -	
Police department	65,285,705	3,165,638	2,072,508	-	(60,047,559)	(60,047,559)	-	
Fire department	40,647,117	62,731	1,456,602	-	(39,127,784)	(39,127,784)	-	
Other public safety	4,844,362	-	3,147,609	-	(1,696,753)	(1,696,753)	-	
Transportation	34,174,524	6,396,580	228,003	1,944,776	(25,605,165)	(25,605,165)	-	
Economic opportunity and development	1,446,416	-	1,446,416	-	-	-	-	
Home and community services	26,566,513	1,318,825	16,756,324	-	(8,491,364)	(8,491,364)	-	
Culture and recreation	10,110,514	400,420	361,551	280,000	(9,068,543)	(9,068,543)	-	
Education	270,997,088	245,973	82,252,702	-	(188,498,413)	(188,498,413)	-	
Pupil transportation	10,819,697	-	-	-	(10,819,697)	(10,819,697)	-	
Interest on long-term debt	12,767,221	-	-	-	(12,767,221)	(12,767,221)	-	
Total governmental activities	542,110,823	15,229,603	110,628,819	2,838,359	(413,414,042)	(413,414,042)	-	
Business-type Activities:								
Aviation	37,228,036	29,472,115	-	7,684,318	-	(71,603)	-	
Water	13,161,804	14,829,929	-	1,095,984	2,764,109	2,764,109	-	
Sewer	3,763,323	3,941,315	-	2,936,717	3,114,709	3,114,709	-	
Food service	8,097,089	8,183,138	526,415	-	612,464	612,464	-	
Total business-type activities	62,250,252	56,426,497	526,415	11,717,019	6,419,679	6,419,679	-	
TOTAL PRIMARY GOVERNMENT	\$ 604,361,075	\$ 71,656,100	\$ 111,155,234	\$ 14,555,378	(413,414,042)	(406,994,363)	-	
Component units:								
Syracuse Industrial Development Agency	2,370,529	2,936,990	760,162	-	-	-	1,326,623	
Syracuse Economic Development Corporation	2,230,836	1,314,893	-	-	-	-	(915,943)	
Syracuse Urban Renewal Agency	5691	-	-	-	-	-	(5,691)	
TOTAL COMPONENT UNITS	\$ 4,607,056	\$ 4,251,883	\$ 760,162	\$ -	-	-	404,989	
General revenues:								
Property taxes and tax items					82,745,026	82,745,026	815,819	
Sales and use taxes					69,754,569	69,804,569	-	
Other taxes					3,765,495	3,765,495	-	
Unallocated state aid					242,474,861	242,474,861	-	
Unallocated federal aid					6,378,866	6,378,866	-	
Investment earnings					4,117,081	1,276,225	5,393,306	
Capital contributions					-	6,894,240	-	
Transfers					1,996,681	(1,996,681)	-	
Miscellaneous					1,056,684	-	1,664,778	
Total general revenues, transfers and special items					412,289,263	6,223,784	418,513,047	
Change in net assets					(1,124,779)	12,643,463	11,518,684	
Net assets at beginning of year					130,695,576	106,928,117	237,623,693	
Net assets at end of year					\$ 129,570,797	\$ 119,571,580	\$ 249,142,377	
							\$ 13,510,669	

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

**CITY OF SYRACUSE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Capital Projects Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
			City School District	Community Development		
ASSETS:						
Pooled cash and cash equivalents	\$ 5,728,920	\$ 4,750,250	\$ -	\$ -	\$ 803,904	\$ 11,283,074
Pooled restricted cash and cash equivalents	-	16,017,836	-	-	5,283,663	21,301,499
Restricted cash and cash equivalents	-	-	-	1,829,063	15,669	1,844,732
Loans receivable	-	-	-	7,601,830	-	7,601,830
Accounts receivable	2,391,096	-	255,200	-	3,852,847	6,499,143
Taxes receivable (net of allowance of \$15,508,208)	6,739,195	-	3,460,124	-	231,540	10,430,859
Due from other funds	2,153,207	14,432,405	34,105,686	3,857	3,561,107	54,256,262
Due from other governments	37,192,418	40,490	32,160,685	3,311,566	1,277,077	73,982,236
Due from component units (net of allowance of \$5,490,054)	67,237	-	-	536,026	-	603,263
Other assets	56,289	-	4,390	-	-	60,679
TOTAL ASSETS	\$ 54,328,362	\$ 35,240,981	\$ 69,986,085	\$ 13,282,342	\$ 15,025,807	\$ 187,863,577

LIABILITIES AND FUND BALANCES:

Liabilities:						
Accounts payable and accrued expenses	\$ 4,003,850	\$ 5,345,997	\$ 17,384,701	\$ 4,081,400	\$ 204,546	\$ 31,020,494
Revenue anticipation notes payable	5,800,000	-	8,600,000	-	-	14,400,000
Tax anticipation notes	-	-	3,300,000	-	-	3,300,000
Bond anticipation notes payable	-	6,650,000	-	-	-	6,650,000
Due to other funds	3,857	696,250	62,330	102,619	1,104,364	1,969,420
Due to other governments	66,245	100,000	6,979,769	-	-	7,146,014
Due to component units	-	-	68,698	-	13,408	82,106
Deferred revenues	6,815,426	-	14,581,896	7,891,831	4,377,738	19,084,995
Amounts due to retirement systems	3,389,211	-	433,417	-	-	17,971,107
Accrued compensated absences	200,000	-	-	-	-	633,417
Self-insurance claims	2,188,141	-	-	-	-	2,188,141
Other liabilities	-	-	-	1,206,492	-	1,206,492
Total liabilities	22,466,730	12,792,247	51,410,811	13,282,342	5,700,056	105,652,186

Fund Balances:

Reserved for encumbrances	90,362	4,788,273	4,994,659	-	-	9,873,294
Reserved for bonded capital projects	-	16,612,243	-	-	-	16,612,243
Reserved for Fire Training Center	23,388	-	-	-	-	23,388
Reserved for Project Orange	215,786	-	-	-	-	215,786
Reserved for EMS Training	123,884	-	-	-	-	123,884
Reserved for bonded debt	-	1,048,218	-	-	8,007,586	9,055,804
Reserved for trusts and permanent funds	-	-	-	-	527,788	527,788
Unreserved:						
Designated	10,435,436	-	13,580,615	-	-	24,016,051
Undesignated	20,972,776	-	-	-	790,377	21,763,153
Total fund balances	31,861,632	22,448,734	18,575,274	-	9,325,751	82,211,391
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,328,362	\$ 35,240,981	\$ 69,986,085	\$ 13,282,342	\$ 15,025,807	\$ 187,863,577

CITY OF SYRACUSE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances for governmental funds	\$ 82,211,391
Total net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of associated accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	366,879,589
Accounts receivable not reported in funds	1,942,196
Certain revenue is accrued and recorded in the funds but has been previously reported in the net assets statement.	(1,601,600)
Long-term liabilities, including bonds payable, compensated absences, capital lease obligations, due to retirement systems, judgments and claims, environmental remediation and other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(319,781,416)
Certain deferred revenue items	7,630,449
Accrued interest not reported in the funds	<u>(7,709,812)</u>
Total net assets of governmental activities	<u>\$ 129,570,797</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Projects Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
			City School District	Community Development		
REVENUES:						
General property taxes and tax items	\$ 32,330,683	-	\$ 50,840,902	\$ -	\$ 2,458,088	\$ 85,629,673
Sales and use taxes	65,559,606	-	4,194,963	-	-	69,754,569
Other local taxes	3,765,495	-	-	-	505,105	4,270,600
Departmental revenues	11,321,188	37,824	-	-	47,945	11,406,957
Fees and service charges	3,598,572	-	245,973	-	10,647	3,855,192
Use of money and property	1,353,471	300,416	1,642,465	-	859,699	4,156,051
Federal and state aid and other grants	62,166,583	4,913,122	271,594,174	17,119,526	3,113,029	358,906,434
Other revenues	3,201,982	279,239	650,141	-	174,908	4,306,270
Total revenues	183,297,580	5,530,601	329,168,618	17,119,526	7,169,421	542,285,746
EXPENDITURES:						
Current:						
General government support	21,051,328	-	40,090,899	1,314,484	816,104	63,272,815
Public safety	107,062,394	-	-	-	2,892,174	109,954,568
Transportation	18,867,901	-	-	-	1,833,404	20,701,305
Economic opportunity and development	-	-	-	1,392,237	54,179	1,446,416
Home and community services	9,910,487	-	2,257,097	14,412,805	73,473	26,653,862
Culture and recreation	8,538,141	-	-	-	214,302	8,752,443
Education	-	-	274,036,474	-	-	274,036,474
Debt service	-	-	-	-	21,993,498	21,993,498
Interest on debt	1,248,854	-	1,457,083	-	9,876,049	12,581,986
Capital outlays	-	33,829,930	-	-	-	33,829,930
Total expenditures	166,679,105	33,829,930	317,841,553	17,119,526	37,753,183	579,223,297
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,618,475	(28,299,329)	11,327,065	-	(30,583,762)	(30,937,551)
OTHER FINANCING SOURCES (USES):						
Bond proceeds	3,717,156	22,520,162	-	-	1,110,000	27,347,318
Bond proceeds from refunding bonds	25,492,969	-	-	-	22,315,044	47,808,013
Payment to refunded bond escrow agent	(25,492,969)	-	-	-	(22,315,044)	(47,808,013)
Operating transfers in	1,400,000	3,843,689	5,461,706	-	34,457,034	45,162,429
Operating transfers out	(20,725,340)	(3,912,257)	(18,429,863)	-	(98,288)	(43,165,748)
Total other financing sources (uses) - net	(15,608,184)	22,451,594	(12,968,157)	-	35,468,746	29,343,999
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,010,291	(5,847,735)	(1,641,092)	-	4,884,984	(1,593,552)
FUND BALANCES AT BEGINNING OF YEAR	30,851,341	28,296,469	20,216,366	-	4,440,767	83,804,943
FUND BALANCES AT END OF YEAR	\$ 31,861,632	\$ 22,448,734	\$ 18,575,274	\$ -	\$ 9,325,751	\$ 82,211,391

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds		\$ (1,593,552)
<p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report all capital outlays as expenditures. However, in the Statement of Activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
	7,226,002	
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.</p>		
Debt issued:		
Bonds payable	(75,155,331)	
Repayments:		
Bond principal	65,685,465	(9,469,866)
Revenue reported in the funds previously reported in the statement of activities.		(1,601,600)
School aid is shown as revenue in the governmental funds; however, in the Statement of Activities, this is considered an advance and is not recorded as revenue.		(3,833,333)
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.		5,412,341
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the difference between the proceeds received and the loss on the disposal of fixed assets.		(20,741)
Revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.		2,755,970
Net change in net assets of governmental activities		\$ (1,124,779)

CITY OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

Business-type Activities

Enterprise Funds

	Enterprise Funds					Total
	Aviation	Water	Sewer	Total City	City School District-Food Service	
ASSETS:						
Current:						
Pooled cash and cash equivalents	\$ -	\$ 861,552	\$ 1,142,327	\$ 2,003,879	\$ -	\$ 2,003,879
Cash	16,596,462	-	-	16,596,462	-	16,596,462
Accounts receivable	2,714,132	3,230,343	766,932	6,711,407	-	6,711,407
Due from other governments	2,693,124	11,263	2,768,682	5,473,069	551,546	6,024,615
Due from other funds	88,584	-	-	88,584	297,794	386,378
Inventories	-	-	-	-	180,352	180,352
Prepaid expenses	307,775	-	-	307,775	-	307,775
Total current assets	22,400,077	4,103,158	4,677,941	31,181,176	1,029,692	32,210,868
Noncurrent:						
Pooled restricted cash	-	8,062,676	3,281,719	11,344,395	-	11,344,395
Restricted cash and cash equivalents	14,544,757	759,476	-	15,304,233	-	15,304,233
Deferred charges	1,299,792	38,646	18,913	1,357,351	-	1,357,351
Due from other funds	635,750	-	-	635,750	-	635,750
Capital assets (net)	108,164,151	24,689,303	8,661,419	141,514,873	526,115	142,040,988
Total noncurrent assets	124,644,450	33,550,101	11,962,051	170,156,602	526,115	170,682,717
TOTAL ASSETS	\$ 147,044,527	\$ 37,653,259	16,639,992	\$ 201,337,778	\$ 1,555,807	\$ 202,893,585
LIABILITIES:						
Current:						
Accounts payable and accrued expenses	\$ 4,650,969	\$ 1,746,862	\$ 1,691,665	\$ 8,089,496	\$ 325,727	\$ 8,415,223
Bond anticipation notes payable	2,035,000	-	-	2,035,000	-	2,035,000
Capital lease obligation	34,045	-	-	34,045	-	34,045
Accrued interest	1,044,874	169,546	67,704	1,282,124	-	1,282,124
Due to other funds	917,978	-	-	917,978	-	917,978
Due to component unit	9,395	24,627	-	34,022	-	34,022
Current portion of bonds payable	3,124,730	1,392,100	481,209	4,998,039	-	4,998,039
Amounts due to retirement systems	170,880	121,359	44,655	336,894	13,721	350,615
Accrued compensated absences	199,011	24,060	15,925	238,996	100,695	339,691
Self-insurance claims	103,211	198,234	85,753	387,198	203,350	590,548
Deferred revenue	60,500	451,091	-	511,591	-	511,591
Other liabilities	-	-	-	-	457	457
Total current liabilities	12,350,593	4,127,879	2,386,911	18,865,383	643,950	19,509,333
Noncurrent:						
Bonds - net of current portion	29,659,650	23,160,620	8,141,057	60,961,327	-	60,961,327
Capital lease obligation - net of current portion	336,869	-	-	336,869	-	336,869
Accrued interest	612,278	-	-	612,278	-	612,278
Amounts due to retirement systems	179,095	1,053	387	180,535	-	180,535
Accrued compensated absences	-	282,015	104,131	386,146	-	386,146
Self-insurance claims	162,104	373,063	164,599	699,766	-	699,766
Deferred revenue	635,751	-	-	635,751	-	635,751
Total noncurrent liabilities	31,585,747	23,816,751	8,410,174	63,812,672	-	63,812,672
Total liabilities	43,936,340	27,944,630	10,797,085	82,678,055	643,950	83,322,005
NET ASSETS:						
Invested in capital assets, net of related debt	75,714,748	8,203,306	3,267,896	87,185,950	526,115	87,712,065
Restricted	-	451,091	-	451,091	-	451,091
Unrestricted:						
Designated	-	1,000,000	-	1,000,000	-	1,000,000
Undesignated	27,393,439	54,232	2,575,011	30,022,682	385,742	30,408,424
Total net assets	103,108,187	9,708,629	5,842,907	118,659,723	911,857	119,571,580
TOTAL LIABILITIES AND NET ASSETS	\$ 147,044,527	\$ 37,653,259	\$ 16,639,992	\$ 201,337,778	\$ 1,555,807	\$ 202,893,585

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities					Total
	Enterprise Funds					
	Aviation	Water	Sewer	Total City	City School District - Food Service	
OPERATING REVENUES:						
Charges for services	\$ -	\$ 14,423,379	\$ 3,930,938	\$ 18,354,317	\$ 8,183,138	\$ 26,537,455
Landing fees	4,614,544	-	-	4,614,544	-	4,614,544
Parking rents	6,337,400	-	-	6,337,400	-	6,337,400
Terminal rents	8,507,625	-	-	8,507,625	-	8,507,625
Concession	6,120,064	-	-	6,120,064	-	6,120,064
Fees and permits	-	290,651	-	290,651	-	290,651
Miscellaneous	24,695	115,899	10,377	150,971	-	150,971
Total operating revenues	<u>25,604,328</u>	<u>14,829,929</u>	<u>3,941,315</u>	<u>44,375,572</u>	<u>8,183,138</u>	<u>52,558,710</u>
OPERATING EXPENSES:						
Cost of sales and services	8,445,651	11,172,437	3,198,131	22,816,219	3,809,382	26,625,601
Administration	10,284,728	429,300	5,835	10,719,863	4,212,184	14,932,047
Depreciation	8,932,963	746,299	413,750	10,093,012	75,523	10,168,535
Uncollectible accounts	114,243	478,875	103,412	696,530	-	696,530
Total operating expenses	<u>27,777,585</u>	<u>12,826,911</u>	<u>3,721,128</u>	<u>44,325,624</u>	<u>8,097,089</u>	<u>52,422,713</u>
NET OPERATING INCOME (LOSS)	<u>(2,173,257)</u>	<u>2,003,018</u>	<u>220,187</u>	<u>49,948</u>	<u>86,049</u>	<u>135,997</u>
NONOPERATING REVENUES (EXPENSES):						
Sales tax	-	50,000	-	50,000	-	50,000
Grants received	7,684,318	1,095,984	2,936,717	11,717,019	-	11,717,019
Grant programs	(7,684,318)	-	-	(7,684,318)	-	(7,684,318)
Passenger facility charges	3,867,787	-	-	3,867,787	-	3,867,787
Donated commodities	-	-	-	-	526,415	526,415
Investment income	938,571	174,748	162,491	1,275,810	415	1,276,225
Interest expense	(1,766,133)	(334,893)	(42,195)	(2,143,221)	-	(2,143,221)
Total nonoperating revenues (expenses)	<u>3,040,225</u>	<u>985,839</u>	<u>3,057,013</u>	<u>7,083,077</u>	<u>526,830</u>	<u>7,609,907</u>
NET INCOME BEFORE CONTRIBUTIONS AND OPERATING TRANSFERS	<u>866,968</u>	<u>2,988,857</u>	<u>3,277,200</u>	<u>7,133,025</u>	<u>612,879</u>	<u>7,745,904</u>
CAPITAL CONTRIBUTIONS	<u>6,894,240</u>	<u>-</u>	<u>-</u>	<u>6,894,240</u>	<u>-</u>	<u>6,894,240</u>
OPERATING TRANSFERS OUT	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>(596,681)</u>	<u>(1,996,681)</u>
CHANGE IN NET ASSETS	<u>7,761,208</u>	<u>1,588,857</u>	<u>3,277,200</u>	<u>12,627,265</u>	<u>16,198</u>	<u>12,643,463</u>
NET ASSETS AT BEGINNING OF YEAR	<u>95,346,979</u>	<u>8,119,772</u>	<u>2,565,707</u>	<u>106,032,458</u>	<u>895,659</u>	<u>106,928,117</u>
NET ASSETS AT END OF YEAR	<u>\$ 103,108,187</u>	<u>\$ 9,708,629</u>	<u>\$ 5,842,907</u>	<u>\$ 118,659,723</u>	<u>\$ 911,857</u>	<u>\$ 119,571,580</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Business-type Activities

Enterprise Funds

	Aviation	Water	Sewer	Total - City	City School District - Food Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 26,301,306	\$ 14,483,095	\$ 3,906,442	\$ 44,690,843	\$ 8,174,415	\$ 52,865,258
Payments to vendors	(13,266,348)	(4,792,534)	579,017	(17,479,865)	(3,346,431)	(20,826,296)
Payments to employees	(4,212,715)	(4,694,389)	(1,991,382)	(10,898,486)	(4,484,885)	(15,383,371)
Internal activity-receipts and (payments) with other funds - net	(269,091)	-	-	(269,091)	423,072	153,981
Claims paid	(1,159,050)	(1,229,725)	(476,223)	(2,864,998)	-	(2,864,998)
Other payments	-	(450,222)	-	(450,222)	-	(450,222)
Net cash provided by operating activities	<u>7,394,102</u>	<u>3,316,225</u>	<u>2,017,854</u>	<u>12,728,181</u>	<u>766,171</u>	<u>13,494,352</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating subsidies and transfers to other funds	-	(1,400,000)	-	(1,400,000)	(596,681)	(1,996,681)
Payments from other governments	-	1,123,257	168,657	1,291,914	(21)	1,291,893
Net cash utilized in noncapital financing activities	<u>-</u>	<u>(276,743)</u>	<u>168,657</u>	<u>(108,086)</u>	<u>(596,702)</u>	<u>(704,788)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from capital debt	3,949,885	9,921,441	3,538,260	17,409,586	-	17,409,586
Capital contributions	7,308,396	-	-	7,308,396	-	7,308,396
Purchases of capital assets	(14,766,065)	(6,199,827)	(5,090,983)	(26,056,875)	(169,884)	(26,226,759)
Principal paid on capital debt	(3,963,888)	(4,229,541)	(1,114,273)	(9,307,702)	-	(9,307,702)
Interest paid on capital debt	(2,000,933)	(307,996)	(15,620)	(2,324,549)	-	(2,324,549)
Other receipts	3,867,499	50,000	-	3,917,499	-	3,917,499
Net cash provided by (utilized in) capital and related financing activities	<u>(5,605,106)</u>	<u>(765,923)</u>	<u>(2,682,616)</u>	<u>(9,053,645)</u>	<u>(169,884)</u>	<u>(9,223,529)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and dividends received/						
Net cash provided by investing activities	<u>938,571</u>	<u>174,748</u>	<u>162,491</u>	<u>1,275,810</u>	<u>415</u>	<u>1,276,225</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,727,567	2,448,307	(333,614)	4,842,260	-	4,842,260
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	28,413,652	7,235,397	4,757,660	40,406,709	-	40,406,709
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 31,141,219</u>	<u>\$ 9,683,704</u>	<u>\$ 4,424,046</u>	<u>\$ 45,248,969</u>	<u>\$ -</u>	<u>\$ 45,248,969</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (2,173,257)	\$ 2,003,018	\$ 220,187	\$ 49,948	\$ 86,049	\$ 135,997
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	8,932,963	746,299	413,750	10,093,012	75,523	10,168,535
Uncollectible accounts	114,243	478,875	103,412	696,530	-	696,530
Change in assets and liabilities:						
Accounts receivable	757,477	(343,690)	28,521	442,308	-	442,308
Deferred charges	142,998	(16,352)	(8,402)	118,244	-	118,244
Due from other funds	(269,091)	-	-	(269,091)	423,072	153,981
Due from other governments	-	-	-	-	(8,723)	(8,723)
Inventories	-	-	-	-	569,823	569,823
Prepaid expenses	10,230	-	-	10,230	-	10,230
Accounts payable and accrued expenses	(114,463)	529,565	1,360,511	1,775,613	(254,755)	1,520,858
Amounts due to retirement systems	114,646	13,771	4,557	132,974	(93,496)	39,478
Self-insurance claims	(61,145)	(99,748)	(50,480)	(211,373)	(12,276)	(223,649)
Accrued compensated absences	-	7,631	9,192	16,823	(19,046)	(2,223)
Deferred revenue	(60,499)	(3,144)	(63,394)	(127,037)	-	(127,037)
Net cash provided by operating activities	<u>\$ 7,394,102</u>	<u>\$ 3,316,225</u>	<u>\$ 2,017,854</u>	<u>\$ 12,728,181</u>	<u>\$ 766,171</u>	<u>\$ 13,494,352</u>

CITY OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended June 30, 2006 the Aviation Fund incurred accretion of \$367,552 (included in interest expense) on capital appreciation bonds which are included in bonds payable.

The Aviation Fund incurred a 10 year capital lease obligation for \$398,241.

RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH TO TOTAL CASH - PROPRIETARY FUNDS

	Unrestricted	Restricted	Total
Beginning of Year:			
Aviation Fund	\$ 14,340,922	\$ 14,072,730	\$ 28,413,652
Water Fund	361,620	6,873,777	7,235,397
Sewer Fund	544,570	4,213,090	4,757,660
Total beginning of year	\$ 15,247,112	\$ 25,159,597	\$ 40,406,709
End of Year:			
Aviation Fund	\$ 16,596,462	\$ 14,544,757	\$ 31,141,219
Water Fund	861,552	8,822,152	9,683,704
Sewer Fund	1,142,327	3,281,719	4,424,046
Total end of year	\$ 18,600,341	\$ 26,648,628	\$ 45,248,969

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	City							Total
	Pension Trust Funds		Private Purpose Funds		Agency Funds	Total City	Combined City School District	
	Local Fire Pension Fund	Local Police Pension Fund	Coca Cola & Mayor's Round Ball	Funds				
ASSETS:								
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 548,205	\$ -	\$ -	\$ 548,205
Pooled restricted cash and cash equivalents	28,782	52,388	12,773	54,607,160	54,701,103	-	-	54,701,103
Restricted cash	-	-	-	-	-	180,927	-	180,927
Taxes receivable	-	-	-	48,805,621	48,805,621	-	-	48,805,621
Other assets	-	-	-	-	-	719,674	-	719,674
Due from other funds	-	-	-	-	-	661,803	-	661,803
TOTAL ASSETS	28,782	52,388	12,773	103,960,986	104,054,929	1,562,404	-	105,617,333
LIABILITIES:								
Accounts payable and accrued expenditures	-	-	-	338	338	733,322	-	733,660
Due to other funds	-	-	-	53,051,795	53,051,795	1,000	-	53,052,795
Due to other governments	-	-	-	1,301,496	1,301,496	-	-	1,301,496
Deferred revenue	-	-	-	48,805,621	48,805,621	-	-	48,805,621
Other liabilities	-	-	-	801,736	801,736	729,320	-	1,531,056
TOTAL LIABILITIES	-	-	-	103,960,986	103,960,986	1,463,642	-	105,424,628
NET ASSETS:								
Held in trust	\$ 28,782	\$ 52,388	\$ 12,773	\$ -	\$ 93,943	\$ 98,762	\$ -	\$ 192,705

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Pension Trust Funds		Private Purpose Funds		Total City	Combined City School District	Total
	Local Fire Pension Fund	Local Police Pension Fund	Coca Cola & Mayor's Round Ball				
ADDITIONS:							
Contributions	\$ -	\$ -	\$ 15,862	\$ 15,862	\$ 15,862	\$ 7,280	\$ 23,142
Local sources and other	341,055	59,779	-	-	400,834	8,200	409,034
Total additions	<u>341,055</u>	<u>59,779</u>	<u>15,862</u>	<u>15,862</u>	<u>416,696</u>	<u>15,480</u>	<u>432,176</u>
DEDUCTIONS:							
Payments to pensioners	312,273	17,668	-	-	329,941	-	329,941
Scholarships and awards	-	-	-	-	-	4,600	4,600
Other expenses	-	-	14,267	14,267	14,267	-	14,267
Total deductions	<u>312,273</u>	<u>17,668</u>	<u>14,267</u>	<u>14,267</u>	<u>344,208</u>	<u>4,600</u>	<u>348,808</u>
CHANGE IN NET ASSETS	28,782	42,111	1,595	1,595	72,488	10,880	83,368
NET ASSETS AT BEGINNING OF YEAR	-	10,277	11,178	11,178	21,455	87,882	109,337
NET ASSETS AT END OF YEAR	<u>\$ 28,782</u>	<u>\$ 52,388</u>	<u>\$ 12,773</u>	<u>\$ 12,773</u>	<u>\$ 93,943</u>	<u>\$ 98,762</u>	<u>\$ 192,705</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2006

	Syracuse Industrial Development Agency	Syracuse Economic Development Corporation	Syracuse Urban Renewal Agency	Total
ASSETS:				
Cash and cash equivalents	\$ 10,814,660	\$ 2,937,598	\$ 256,932	\$ 14,009,190
Other receivables	828,573	14,808	-	843,381
Loans receivable-current portion	4,783,660	438,053	-	5,221,713
Interest receivable	283,655	4,773	-	288,428
Due from other governments	-	-	43,062	43,062
Due from primary government	-	-	377,491	377,491
Due from other component units	-	-	24,909	24,909
Other assets	727,159	-	-	727,159
Loans receivable - long-term portion	10,400,091	1,928,108	-	12,328,199
Capital assets:				
Nondepreciable	50,000	770,145	88,800	908,945
Depreciable, net	1,463,966	17,573,650	34,015	19,071,631
TOTAL ASSETS	\$ 29,351,764	\$ 23,667,135	\$ 825,209	\$ 53,844,108
LIABILITIES:				
Accounts payable and accrued expenses	\$ 170,524	\$ 71,895	\$ -	\$ 242,419
Accrued interest expense	398,768	288,644	-	687,412
Due to other governments	-	-	18,652	18,652
Deferred revenue	-	-	-	-
Due to primary government	416,241	216,557	443,971	1,076,769
Non-current liabilities:				
Due within one year	2,713,000	5,191,408	-	7,904,408
Due within more than one year	15,238,000	9,795,423	-	25,033,423
Due to primary government - long-term portion	1,728,077	3,642,279	-	5,370,356
Total liabilities	20,664,610	19,206,206	462,623	40,333,439
NET ASSETS:				
Invested in capital assets	(335,445)	3,356,964	122,815	3,144,334
Restricted for loan programs	296,588	674,018	-	970,606
Unrestricted	8,726,011	429,947	239,771	9,395,729
Total net assets	8,687,154	4,460,929	362,586	13,510,669
TOTAL LIABILITIES AND NET ASSETS	\$ 29,351,764	\$ 23,667,135	\$ 825,209	\$ 53,844,108

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2006

	Syracuse Industrial Development Agency	Syracuse Economic Development Corporation	Syracuse Urban Renewal Agency	Total
EXPENSES:				
Economic Development	\$ 322,515	\$ 295,008	\$ 5,691	\$ 623,214
Development projects	272,704	-	-	272,704
Loan programs	1,515,166	-	-	1,515,166
Parking garage	260,144	-	-	260,144
Rental of real property	-	1,935,828	-	1,935,828
Total expenses	\$ 2,370,529	\$ 2,230,836	\$ 5,691	\$ 4,607,056
PROGRAM REVENUE:				
Charges for services	\$ 2,936,990	\$ 1,314,893	\$ -	\$ 4,251,883
Operating grants	760,162	-	-	760,162
Total program revenue	3,697,152	1,314,893	-	5,012,045
NET PROGRAM REVENUE	1,326,623	(915,943)	(5,691)	404,989
GENERAL REVENUE:				
Property taxes	342,893	472,926	-	815,819
Investment earnings	229,428	65,046	385	294,859
Miscellaneous	1,664,569	209	-	1,664,778
Total general revenue	2,236,890	538,181	385	2,775,456
CHANGES IN NET ASSETS	3,563,513	(377,762)	(5,306)	3,180,445
NET ASSETS AT BEGINNING OF YEAR	5,123,641	4,838,691	367,892	10,330,224
NET ASSETS AT END OF YEAR	\$ 8,687,154	\$ 4,460,929	\$ 362,586	\$ 13,510,669

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Syracuse, New York (the City) was incorporated in 1848 and operates under an elected Mayor. The Common Council is the elected legislative body and consists of a Council President and four members elected at large plus five district members. The City provides service of general government, public works, public safety, education, community enrichment and economic development to its approximately 144,000 residents, and operates Syracuse - Hancock International Airport (the Airport) which serves approximately two million passengers annually from the region.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, with the exception of the Syracuse Economic Development Corporation as discussed in Note 1.A. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Syracuse, New York
Blended Component Unit:	Syracuse City School District (the District)
Discretely Presented Component Units:	Syracuse Economic Development Corporation Syracuse Industrial Development Agency Syracuse Urban Renewal Agency

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

In determining the financial reporting entity, the City complies with the provisions of GASB Statement Numbers 14 and 39, *The Financial Reporting Entity*, and *Determining Whether Certain Organizations are Component Units*, respectively, including all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units:

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Common Council, or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Syracuse City School District (the District) - The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education, which is an elected body. The District is not a separate legal entity and does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City Common Council. The City is financially accountable for the District and funds any operating deficits. The District is primarily included in the basic financial statements as a special revenue fund in the fund financial statements. In the government-wide statements the District is included in the governmental activities.

Discretely Presented Component Units:

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following organizations are discretely presented component units:

Syracuse Industrial Development Agency (SIDA) - SIDA is a public benefit governmental agency established to enhance economic development in the City. SIDA's programs include issuing industrial revenue bonds and making HUD 108 loans. The Mayor appoints a voting majority of the governing body and SIDA's activities are controlled by the City of Syracuse. Separate audited financial statements are prepared for SIDA and reports may be obtained by writing to Syracuse Industrial Development Agency, City Hall, Syracuse, New York 13202. SIDA has a fiscal year which ends December 31.

(Continued)

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

A. Financial Reporting Entity (Cont'd)

Syracuse Economic Development Corporation (SEDCO) - SEDCO is a not-for-profit corporation established by the City to foster development ventures in the City. SEDCO's financial statements are in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. SEDCO loans funds through Direct and Entrepreneur Loan Programs and the Urban Development Action Grant Program. The Direct and Entrepreneur Loan Programs are funded from annual entitlement grants from the City. The Urban Development Action Grant represents funds received by the City and passed through (loaned) to SEDCO. The City is financially accountable for SEDCO and the Mayor appoints the voting majority of the governing body. Separate audited financial statements are prepared for SEDCO and reports may be obtained by writing to Syracuse Economic Development Corporation, City Hall, Syracuse, New York 13202. SEDCO has a fiscal year which ends December 31.

Syracuse Urban Renewal Agency (SURA) - SURA is an agency used to account for federal, state and local capital grant funds for the redevelopment of land in the City of Syracuse. The City is financially accountable for SURA. The Mayor appoints the voting majority of the governing body.

Only footnote disclosures relating to the primary government are included in the basic financial statements. The footnote disclosures relating to SIDA, SEDCO and SURA are not included.

The Syracuse Housing Partnership, Inc., Rebuild Syracuse, and Friends of the Syracuse Commission for Women, Inc. are excluded from the financial reporting entity. Although the Mayor appoints the majority of the governing bodies of these agencies, the City is not financially accountable, lacks any other financial interdependencies and cannot exercise any oversight responsibility.

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

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Amounts reported in the Statement of Activities as program revenue include charges to customers for goods, services or privileges provided, operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with a governmental or business-type activity. General revenues support all activities and programs. All taxes are considered general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity or net assets, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Nonmajor funds are summarized into a single column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

(Continued)

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

B. Basis of Presentation (Cont'd)

Governmental Fund Types:

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. General operations of the City School District are reported in the special revenue funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest. Both the City and the Syracuse City School District maintain debt service funds.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by proprietary funds. The principal sources of financing are from the sale of bonds or issuance of bond anticipation notes. Both the City and the Syracuse City School District maintain capital projects funds.

Permanent Fund

The permanent fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

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

B. Basis of Presentation (Cont'd)

Proprietary Fund Types:

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

Water Fund

The Water Fund is used to account for providing water to the public.

Sewer Fund

The Sewer Fund is used to account for wastewater and sanitation services to the public.

Aviation Fund

The Aviation Fund is used to account for revenues and expenditures to operate Syracuse - Hancock International Airport.

Food Service Fund

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

Fiduciary Fund Types (Not included in government-wide statements):

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

(Continued)

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

B. Basis of Presentation (Cont'd)

Fiduciary Fund Types (Not included in government-wide statements) (Cont'd):

Pension Trust Funds

Pension trust funds are used to report resources that are held in trust for the members and beneficiaries of pension plans.

Private Purpose Funds

Private purpose funds are trust arrangements under which the principal or interest benefit specific individuals, organizations or other governments, but not the reporting government.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:

- General Fund - See above for description.
- Special Revenue funds:

City School District - This fund is used to account for the education and transportation of pupils within the City. This fund includes the District's General Fund and Special Aid Fund.

Community Development - This fund is used to account for Federal funds received for community development purposes.

- Capital Projects Fund - See above for description.
- Proprietary Funds:

Aviation - See above for description.

Water - See above for description.

(Continued)

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

B. Basis of Presentation (Cont'd)

Major and Nonmajor Funds (Cont'd)

Nonmajor Funds:

- Special Revenue Funds:
 - Special Grants
 - Special Assessment Districts
 - Local Development
 - Oil and Flushing
 - Miscellaneous Trust Funds
- Debt Service Fund
- Permanent Funds:
 - Francis Hendrick's
 - The Ed Smith School Fund
- Proprietary Funds:
 - Sewer
 - City School District - Food Service

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

Measurement Focus (Cont'd)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. Proprietary and fiduciary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and fiduciary fund equity are classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough to pay liabilities of the current period. For this purpose, the City generally considers most revenues to be available if they are collected within sixty days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

Basis of Accounting (Cont'd)

All proprietary and fiduciary funds utilize the accrual basis of accounting.

D. Budgets and Budgetary Accounting

In accordance with the City Charter, the annual operating budget includes the General Fund, City School District Fund exclusive of grants, the Aviation Fund and the Debt Service Fund. The budget for the Debt Service Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget for other governmental funds is prepared on a non-GAAP budgetary basis in that encumbrances are charged against appropriations in the year the commitment is incurred and payroll costs are on a cash basis. These differences are not material. Formal budgetary integration is employed as a management control device during the year. For the Capital Projects Fund and grants accounted for in the City School District Fund, long-term budgets covering the anticipated life of the project or grant are adopted by the Common Council at the time of approval.

The City appropriates a total expenditure budget based on projected revenues and surplus from the preceding year. The budget allocations among the various organizational units in the governmental funds, along with any amendments made by the Common Council, are included in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis).

All unencumbered budget appropriations lapse at year-end. The General Fund's budget is adopted on a departmental basis, which is the level of control at which expenditures may not legally exceed appropriations. On a budgetary basis, current year encumbrances are included with expenditures, while expenditures of prior years' encumbrances are excluded.

The Common Council follows these procedures in establishing the budgetary data reported in the financial statements:

- By April 8th, the Mayor submits to the Common Council operating budgets for the City and City School District, including the means of financing them, for the fiscal year commencing the following July 1st.
- Following a public hearing on the proposed budget, the Common Council must adopt the proposed or amended budget no later than May 9th.

(Continued)

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

D. Budgets and Budgetary Accounting (Cont'd)

- Any amendments approved by the Common Council are presented to the Mayor for his consideration. Should the Mayor object to any amendment, the Common Council has an opportunity to override the Mayor's objection until June.
- The Mayor has the authority to transfer budgeted amounts between accounts within a department, but increases to department totals must be approved by the Common Council.
- Budget amendments occurring subsequent to the adoption of the budget are drafted and reviewed by the Budget Director and submitted to the Common Council for approval. If amendments are passed by the Common Council, they are submitted to the Mayor for final approval.

E. Cash Equivalents

Cash equivalents consist primarily of money market accounts and certificate of deposits with original maturities of three months or less.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales and use taxes, mortgage taxes, franchise taxes and grants. Business-type activities report fee for service receivables and grant related earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, sales and use taxes, mortgage taxes, franchise taxes, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Fee for service receivables and grant related earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(Continued)

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

G. Inventories

Inventories of food and/or supplies in the Food Service Fund, included as a proprietary fund, are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market.

H. Capital Assets (Fixed Assets)

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are defined by the City, with the exception of the District, as assets with an initial cost of more than \$5,000 and a useful life of two or more years. The District capitalizes fixed assets with an initial cost of more than \$1,000 and a useful life of two or more years. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2001, infrastructure assets were not capitalized. The City opted for early implementation of infrastructure reporting retroactive to 1980. These assets have been valued at estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. Interest capitalized for the year ended June 30, 2006 amounted to \$512,192.

The City has works of art such as maps and valuable documents, paintings, sculptures, exhibits, monuments and statues. These items are not capitalized because they are not held for financial gain, are protected and preserved, and the City's policy requires any sale proceeds to be used to acquire other collection items.

(Continued)

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

H. Capital Assets (Fixed Assets) (Cont'd)

Government-wide Statements (Cont'd)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation beginning in the first year after completion or acquisition of the asset, except for the Aviation Fund which begins depreciating assets on the date of acquisition. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Parking garages	20 years
Machinery and equipment	3-10 years
Improvements - land and building	20 years
Improvements - parking garages	10 years
Infrastructure	20-100 years
Furniture	10 years
Vehicles	3-5 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

I. Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is broken out and recorded as current and long-term debt in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable and available financial resources. The proprietary funds report the liability as it is incurred.

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

J. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the Statement of Net Assets. Material bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Long-term debt is not reported as a liability of the governmental funds and any debt issued is reported as an other financing source in the Statement of Revenues, Expenditures and Changes in Fund Balances. Payments of principal and interest on general long-term debt are recognized when paid from a governmental fund. Issuance costs are reported as General Fund expenditures.

K. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - 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 assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent management plans that are subject to change. Proprietary fund equity is classified the same as in the government-wide statements.

(Continued)

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

L. Retirement

The City provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State and Local Employees' Retirement System (ERS), New York State and Local Teachers' Retirement System (TRS) and Policemen's and Firemen's Retirement System (PFRS). The systems provide various plans and options, some of which require employee contributions. The systems compute the cost of retirement benefits based upon their respective fiscal years: ERS and PFRS - April 1 to March 31, and TRS - July 1 to June 30.

M. Revenue, Expenditures and Expenses

Property Tax

The property tax levy is approved by the Common Council in May for the following year on the basis of the final assessment roll of July 1. The City bills and collects its own property taxes including school taxes and the property taxes levied by Onondaga County. City and District taxes are attached as an enforceable lien on property as of July 1 and are payable in four equal installments in July, October, January and April. County taxes are attached as an enforceable lien on property as of January 1 and are payable in four equal installments in January, April, July and October. City and School District property tax revenues are recognized when levied to the extent they result in current receivables, less an allowance for amounts estimated to be uncollectible. The allowance for City School District taxes is offset against City taxes as the City guarantees 100% of the levy to the School District. The City does not guarantee the collection of County taxes. The City is required to pay the County only when, and if, the tax is collected. In addition, the receivables in the governmental funds which are not available to finance current operations are offset by the recording of a deferred revenue. Deferred revenues are recognized as revenue in the fiscal year that such amounts become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. In the government-wide financial statements, property taxes are recorded as revenue when levied, less an allowance for uncollectible amounts.

Assessment Tax Revenue

In the fund financial statements, sidewalk and sewer assessments are not considered currently collectible due to the City's policy of granting deferments for a period of up to ten years with 7% interest. Assessments receivable of \$3,851,671 at June 30, 2006 are offset by deferred revenue and included in the Debt Service Fund. In the government-wide financial statements, assessment revenue is recorded when it is added to the property tax levy annually. Only the portion of the assessments due in the current period is accrued as revenue, less an allowance for uncollectible amounts.

(Continued)

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

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

Intergovernmental Revenues - Grants

For both the government-wide and fund financial statements, the City 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.

Other Revenues

In the fund financial statements, governmental funds record licenses and permits, certain charges for services, fines and forfeits and miscellaneous revenues on the cash basis because they are generally not measurable until actually received. Investment earnings are recorded on a modified accrual basis. Sales tax revenues are recorded on a modified accrual basis and include the portion of sales tax revenue attributable to the current year but remitted to the State, and ultimately to the City within 60 days of the end of the current fiscal year. In the government-wide financial statements and the proprietary funds, other revenues, if material, are recognized when earned.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. The principal operating revenue of the Water and Sewer funds is charges to customers for sales and service. The principal operating revenues of the Aviation Fund are landing fees, parking fees, terminal rents and concession revenue. Operating expenses for the proprietary funds include the cost of sales and service, administrative expenses, uncollectible accounts and depreciation on capital assets.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by activity for both governmental and business-type activities. Expenses are recognized when they are incurred. Direct expenses are those that are specifically associated with an activity and are clearly identifiable to a particular function. Certain indirect expenses are allocated among the activities, if possible.

(Continued)

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

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

Expenditures/Expenses (Cont'd)

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

Governmental Funds - By character:	Current (further classified by function)
	Debt service
	Interest on debt
	Capital outlays

Proprietary Funds - By operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Most expenditures are measurable and are recorded when the related fund liability is incurred. However debt service expenditures are recorded only when payment is due. Allocations of costs, such as depreciation, are not recognized. Proprietary funds report expenses relating to use of economic resources. Expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Payments Between the City and Component Units

Resource flows (except those that affect the Statement of Net Assets, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and its blended component unit are classified as interfund transactions in the financial statements.

Restricted and Unrestricted Resources

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

(Continued)

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

N. Delinquent Property Taxes

Delinquent taxes receivable from the prior year are converted to tax sale certificates annually in April and October for the County and the City, respectively. At June 30, 2006, the tax sale certificates are fully offset by an allowance for uncollectible delinquent taxes and deferred revenue in the fund financial statements. The allowance and deferred revenue amounts at June 30, 2006 were \$15,508,208 and \$6,788,372, respectively.

O. Deferred Charges

Deferred charges, reported in the government-wide Statement of Net Assets and in the Statement of Net Assets - Proprietary Funds, represent debt issuance costs that are deferred and amortized over the life of the respective debt using the straight-line method.

P. Current Vulnerability Due to Certain Concentrations

Most of the City's employees are covered by collective bargaining agreements. Approximately 14% of the agreements are expired and are in negotiations and 76% expire in one year or less. The remaining 10% of these agreements extend beyond one year.

Q. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for future debt payments, property tax overpayments, amounts due to the New York State and Local Teachers' Retirement System and amounts collected on behalf of other governments.

R. Reservations and Designations of Fund Equity

Reserved fund balances represent fund equity reserved for specific appropriations and legal or contractual obligations. Designations of unreserved fund balances in governmental funds indicate the use of these resources in the ensuing year's budget or tentative plans for future use. The 2005/2006 City School District budget specifically designates the use of \$13,580,615 for future years use and technology. The City's 2005/2006 budget specifically designates \$10,435,436 and \$1,000,000 of fund balance for future budget years for the General Fund and Water Fund, respectively.

(Continued)

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

S. Use of Estimates

The preparation of basic 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 amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, and investments, if any, of all funds, including restricted amounts (with the exception of the Aviation Fund, Community Development Fund and certain miscellaneous trust funds) are pooled into one common account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end.

The City is permitted to invest in special time deposits and certificate of deposits. In addition, the City may invest funds in direct obligations of the United States of America or obligations guaranteed by agencies of the United States of America where the payment of principal and interest are further guaranteed by the United States of America. Other eligible investments for the City include obligations of the State and repurchase agreements, subject to various conditions.

Deposits

Deposits include demand deposits, time deposits and certificate of deposits with original maturities of three months or less with all short-term cash surpluses invested at money market rates in overnight accounts. All deposits with financial institutions must be collateralized in an amount equal to 102% of deposits not insured by the Federal Deposit Insurance Corporation. Securities that may be pledged as collateral are limited to the obligations of the United States or any obligation fully insured as to the principal and interest by the United States acting through an agency, and obligations of New York State or obligations of any municipal corporation, school district, or district corporation of the State of New York and must be held either by the financial institution's trust department or by a third party custodial bank. At year end, the carrying amount of the City's deposits, including certificate of deposits, was \$135,108,509 and the bank balance was \$142,869,675. As of June 30, 2006 all deposits were insured or collateralized.

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006 was as follows:

	Restated Balance at June 30, 2005	Increases	Decreases	Balance at June 30, 2006
Governmental activities:				
Not being depreciated:				
Land	\$ 16,190,934	\$ -	\$ -	\$ 16,190,934
Construction in progress	<u>115,064,898</u>	<u>28,806,515</u>	<u>26,293,697</u>	<u>117,577,716</u>
Subtotal	<u>131,255,832</u>	<u>28,806,515</u>	<u>26,293,697</u>	<u>133,768,650</u>
Other capital assets:				
Buildings	291,287,451	11,046,012	2,800,000	299,533,463
Machinery and equipment	73,556,259	13,592,742	3,478,984	83,670,017
Improvements/infrastructure	<u>263,686,093</u>	<u>7,577,103</u>	<u>-</u>	<u>271,263,196</u>
Subtotal	<u>628,529,803</u>	<u>32,215,857</u>	<u>6,278,984</u>	<u>654,466,676</u>
 Total capital assets	 <u>759,785,635</u>	 <u>61,022,372</u>	 <u>32,572,681</u>	 <u>788,235,326</u>
Accumulated depreciation:				
Buildings	208,377,329	10,175,713	2,800,000	215,753,042
Machinery and equipment	50,102,380	5,061,092	3,387,205	51,776,267
Improvements/infrastructure	<u>142,561,040</u>	<u>11,265,388</u>	<u>-</u>	<u>153,826,428</u>
Total	<u>401,040,749</u>	<u>26,502,193</u>	<u>6,187,205</u>	<u>421,355,737</u>
Net capital assets - governmental activities	<u>\$358,744,886</u>	<u>\$34,520,179</u>	<u>\$26,385,476</u>	<u>\$366,879,589</u>

Depreciation was charged to activities as follows:

Governmental activities:

General government support	\$ 1,775,355
Police department	708,920
Fire department	1,421,373
Other public safety	2,715
Transportation	13,190,986
Culture and recreation	1,396,702
Home and community services	368,442
Education	<u>7,637,700</u>
Total governmental activities depreciation expense	 <u>\$ 26,502,193</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

3. CAPITAL ASSETS AND DEPRECIATION (CONT'D)

Beginning balances of the District's capital balances were increased \$1,272,812 to reflect the correct treatment of expenditures relating to construction in progress during prior years.

	Balance at June 30, 2005	Increases	Decreases	Balance at June 30, 2006
Business-type activities:				
Not being depreciated:				
Land	\$ 2,269,600	\$ 67,843	\$ -	\$ 2,337,443
Construction in progress	<u>20,123,440</u>	<u>33,499,630</u>	<u>38,350,620</u>	<u>15,272,450</u>
Subtotal	<u>22,393,040</u>	<u>33,567,473</u>	<u>38,350,620</u>	<u>17,609,893</u>
Other capital assets:				
Buildings	104,613,801	146,586	-	104,760,387
Machinery and equipment	20,331,780	2,288,993	15,000	22,605,773
Improvements/infrastructure	<u>117,865,935</u>	<u>26,337,719</u>	<u>-</u>	<u>144,203,654</u>
Subtotal	<u>242,811,516</u>	<u>28,773,298</u>	<u>15,000</u>	<u>271,569,814</u>
Total capital assets	<u>265,204,556</u>	<u>62,340,771</u>	<u>38,365,620</u>	<u>289,179,707</u>
Accumulated depreciation:				
Buildings	61,781,504	4,101,880	-	65,883,384
Machinery and equipment	14,571,828	1,438,550	15,000	15,995,378
Improvements/infrastructure	<u>60,631,852</u>	<u>4,628,105</u>	<u>-</u>	<u>65,259,957</u>
Total	<u>136,985,184</u>	<u>10,168,535</u>	<u>15,000</u>	<u>147,138,719</u>
Net capital assets - business-type activities	<u>\$128,219,372</u>	<u>\$52,172,236</u>	<u>\$38,350,620</u>	<u>\$142,040,988</u>

Depreciation was charged to activities as follows:

Business-type activities:

Aviation	\$ 8,932,963
Water	746,299
Sewer	413,750
Food Service	<u>75,523</u>
Total business-type activities depreciation expense	<u>\$ 10,168,535</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL INDEBTEDNESS

General Obligations Bonds Payable

General obligation bonds are direct obligations for which the full faith and credit of the City are pledged. Bonds are generally issued as serial bonds for a period equivalent to one-half of the period of probable usefulness for each improvement as defined by the New York State Local Finance Law. The interest rates on long-term debt range from 3.0% to 7.875% with maturity dates through fiscal 2027.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006:

	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006	Amount due within one year
Governmental activities:					
Bonds notes and capital lease obligations					
General obligation bonds payable	\$ 237,809,969	\$ 75,155,331	\$ 65,685,465	\$ 247,279,835	\$ 22,529,595
Bond anticipation notes payable	1,800,000	6,650,000	1,800,000	6,650,000	6,650,000
Revenue anticipation notes payable	18,700,000	95,900,000	100,200,000	14,400,000	14,400,000
Tax anticipation notes payable	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Capital lease obligations	1,133,340	-	553,812	579,528	347,254
Total bonds, notes payable and capital lease obligations	<u>262,743,309</u>	<u>181,005,331</u>	<u>171,539,277</u>	<u>272,209,363</u>	<u>47,226,849</u>
Other liabilities:					
Amount due to retirement systems	23,781,634	28,067,696	29,677,647	22,171,683	19,234,796
Accrued compensated absences	16,959,238	11,798,007	12,140,910	16,616,335	7,145,919
Self-insurance claims	15,829,703	81,068,310	78,730,493	18,167,520	15,340,226
Judgments and claims	3,000,000	173,666	173,666	3,000,000	-
Environmental remediation	9,211,540	1,796,799	-	11,008,339	-
Lottery aid payable	20,000,000	4,500,000	666,667	23,833,333	816,667
Total other liabilities	<u>88,782,115</u>	<u>127,404,478</u>	<u>121,389,383</u>	<u>94,797,210</u>	<u>42,537,608</u>
Governmental activities long-term liabilities	<u>\$ 351,525,424</u>	<u>\$ 308,409,809</u>	<u>\$ 292,928,660</u>	<u>\$ 367,006,573</u>	<u>\$ 89,764,457</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL INDEBTEDNESS (CONT'D)

Changes in Long-term Liabilities (Cont'd)

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the debt service fund, except for the capital lease obligations, which are paid by the General and Capital Projects funds (See Note 7).

Liabilities for compensated absences, retirement, self-insurance claims and judgments and claims attributable to the governmental activities will be liquidated by the General Fund or the City School District, which is a special revenue fund. The liability for environmental remediation will be liquidated by the City School District.

	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006	Amount due within one year
Business-type activities:					
Bonds and note payable:					
General obligation bonds payable	\$ 59,228,396	\$ 15,213,324	\$ 8,482,354	\$ 65,959,366	\$ 4,998,039
Bond anticipation notes payable	1,035,000	2,035,000	1,035,000	2,035,000	2,035,000
Capital lease obligation	-	398,241	27,327	370,914	34,045
Total bonds and notes payable	<u>60,263,396</u>	<u>17,646,565</u>	<u>9,544,681</u>	<u>68,365,280</u>	<u>7,067,084</u>
Other liabilities:					
Amount due to retirement systems	491,672	1,619,859	1,580,382	531,149	350,614
Accrued compensated absences	708,861	573,783	556,807	725,837	339,691
Self-insurance claims	1,513,963	3,600,657	3,824,305	1,290,315	590,549
Total other liabilities	<u>2,714,496</u>	<u>5,794,299</u>	<u>5,961,494</u>	<u>2,547,301</u>	<u>1,280,854</u>
Business-type activities long term liabilities	<u>\$ 62,977,892</u>	<u>\$ 23,440,864</u>	<u>\$ 15,506,175</u>	<u>\$ 70,912,581</u>	<u>\$ 8,347,938</u>

Advanced Refunding of Debt

In July 2005, the City of Syracuse issued series 2005A, B and C bonds totaling \$51,835,000. These bonds were delivered on July 28, 2005 with interest rates ranging from 3% to 4.5%. The net proceeds of approximately \$52,396,000, including a premium of approximately \$561,000, and after payment of approximately \$628,000 in underwriting fees, insurance, and other issuance costs were deposited into an escrow account to be used to pay off general obligation bonds.

The refunding reduced total debt service payments, over the next 16 years, by nearly \$1,538,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,263,000. The amount of debt considered extinguished amounted to \$48,485,000 at June 30, 2006.

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL INDEBTEDNESS (CONT'D)

Summary of Debt Service on Bonds to Maturity

As of June 30, 2006, amounts due to service general obligation bonds payable principal and interest in future years are as follows:

Year Ending June 30,	Governmental Activities		Business-type activities		Total
	Principal	Interest	Principal	Interest	
2007	\$ 22,529,595	\$ 10,568,263	\$ 4,998,039	\$ 2,883,662	\$ 40,979,559
2008	22,928,079	9,329,382	5,763,192	2,686,727	40,707,380
2009	23,301,237	8,363,836	5,854,356	2,445,430	39,964,859
2010	22,421,114	7,389,878	5,983,873	2,204,498	37,999,363
2011	21,171,150	6,478,734	5,158,854	1,959,722	34,768,460
2012-2016	80,045,030	20,642,883	23,845,044	6,380,903	130,913,860
2017-2021	37,797,795	7,534,121	8,566,617	2,195,479	56,094,012
2022-2027	15,415,589	1,921,745	5,084,410	671,506	23,093,250
2027	1,670,246	11,250	704,981	-	2,386,477
TOTALS	\$ 247,279,835	\$ 72,240,092	\$ 65,959,366	\$ 21,427,927	\$ 406,907,220

Short-term Debt

Revenue and Tax Anticipation Notes Payable

For governmental funds, notes issued in anticipation of the receipt of revenues are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The 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 Payable

For governmental funds, notes issued in anticipation of proceeds from the subsequent sale of serial bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the serial bond. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL INDEBTEDNESS (CONT'D)

Short-term Debt (Cont'd)

Short-term debt activity for the year ended June 30, 2006:

	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006
Governmental Activities:				
Bond anticipation notes	\$ 1,800,000	\$ 6,650,000	\$ 1,800,000	\$ 6,650,000
Revenue anticipation notes	18,700,000	95,900,000	100,200,000	14,400,000
Tax anticipation notes	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>
	<u>\$ 23,800,000</u>	<u>\$ 105,850,000</u>	<u>\$ 105,300,000</u>	<u>\$ 24,350,000</u>
	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006
Business-type Activities:				
Bond anticipation notes	<u>\$ 1,035,000</u>	<u>\$ 2,035,000</u>	<u>\$ 1,035,000</u>	<u>\$ 2,035,000</u>

5. AIRPORT LEASE AND USE AGREEMENTS

The City entered into lease and use agreements with certain airlines. Among other provisions, the agreements require that landing fees and terminal space rental rates be reviewed annually and adjusted as necessary so that the total revenues are sufficient to meet all airport expenditures, including amortization charges for certain capital improvements. At the end of each year, the landing fees and rental rates are adjusted based on the volume of airline traffic and the Airport's actual operating results.

The City also entered into various operating agreements with tenants for the use of Airport facilities, including parking areas and customer service areas. Normally, the terms of the agreements include a minimum fixed annual guarantee payment to the Airport, as well as additional contingent payments based on the tenants' annual volume of business.

The cost and related accumulated depreciation of the leased property is not readily determinable. Approximate future minimum payments due to the City as of June 30, 2006 under non-cancelable operating leases were as follows:

YEAR ENDING JUNE 30,	AMOUNT
2007	\$ 3,021,426
2008	1,664,240
2009	935,683
2010	813,580
2011	797,110
Thereafter	<u>12,138,865</u>
TOTAL	<u>\$ 19,370,904</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

6. OPERATING LEASE COMMITMENTS

The City School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2006 were approximately \$1,830,000. The minimum future non-cancelable operating lease payments were as follows as of June 30, 2006:

YEAR ENDING JUNE 30,	AMOUNT
2007	\$ 1,024,555
2008	422,804
2009	406,986
2010	376,666
2011	<u>355,008</u>
TOTAL	<u>\$ 2,586,019</u>

The City leases a parking garage from a component unit. In addition the City leases equipment and property from unrelated entities. Total rental expenditures on these leases for the fiscal year ended June 30, 2006 were approximately \$1,452,000. Future minimum lease payments for these non-cancelable operating leases were as follows as of June 30, 2006:

YEAR ENDING JUNE 30,	AMOUNT
2007	\$ 1,426,980
2008	1,429,342
2009	1,386,327
2010	1,345,042
2011	1,380,317
Thereafter	<u>12,938,489</u>
TOTAL	<u>\$ 19,906,497</u>

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

6. OPERATING LEASE COMMITMENTS (CONT'D)

The City has entered into various operating agreements for leases of various parking garages, lots and buildings. These parking garages cost approximately \$59,619,200 with accumulated depreciation of \$42,589,020 and are included in the transportation activity. Future minimum lease payments due to the City as of June 30, 2006 under non-cancelable operating leases were as follows:

YEAR ENDING JUNE 30,	AMOUNT
2007	\$ 1,455,847
2008	1,480,369
2009	1,453,837
2010	1,334,638
2011	1,338,131
Thereafter	<u>8,165,347</u>
TOTAL	<u>\$ 15,228,169</u>

7. CAPITAL LEASE OBLIGATIONS

The City, City School District and Airport are obligated under certain leases accounted for as capital leases. The leased assets and related liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the assets. Capital assets include leased assets in the education activity of \$3,800,000 and in the aviation and fire department activity of \$2,404,820 with accumulated depreciation of \$1,805,921. The related obligations are accounted for as liabilities in the Statement of Net Assets. Payments are expenditures of the General, Capital Projects and Aviation Funds. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2006.

Year ending June 30,	Governmental Activities	Business Type Activities
2007	\$ 377,248	\$ 48,600
2008	124,981	48,600
2009	124,980	48,600
2010	-	48,600
2011	-	48,600
Thereafter	<u>-</u>	<u>202,500</u>
Minimum lease payments - capital leases	627,209	445,500
Less: Amounts representing interest 8.5% per annum	<u>47,681</u>	<u>74,586</u>
Present value - minimum lease payments	<u>\$ 579,528</u>	<u>\$ 370,914</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and Payables

To improve cash management, most City disbursements are made from a pooled account in the general fund. This cash management practice, as well as normal delays in processing interfund transfers and reimbursement, are the main reason why interfund receivables and payables exist. These receivables and payables are short-term in nature and are typically repaid in less than one year. The following schedule summarizes individual fund interfund receivables and payables at June 30, 2006:

	<u>AMOUNT</u> <u>RECEIVABLE</u>	<u>AMOUNT</u> <u>PAYABLE</u>
General Fund	\$ 2,153,207	\$ 3,857
City School District	34,105,686	62,330
Community Development	3,857	102,619
Capital Projects Fund	14,432,405	696,250
Proprietary Funds:		
Aviation	724,334	917,978
Food Service	297,794	-
Nonmajor governmental funds:		
Debt Service	3,555,107	-
Special Grants	6,000	1,104,364
Agency	<u>661,803</u>	<u>53,052,795</u>
Total	<u>\$ 55,940,193</u>	<u>\$ 55,940,193</u>

The following schedule summarizes receivables and payables between the primary government and the component units at June 30, 2006:

	<u>AMOUNT</u> <u>RECEIVABLE</u>	<u>AMOUNT</u> <u>PAYABLE</u>
General Fund	\$ 3,827,014	\$ -
City School District	-	68,698
Community Development	536,026	-
Proprietary Funds:		
Water Fund	-	24,627
Aviation	-	9,395
Nonmajor governmental funds:		
Special Grants	-	13,408
Local Development	1,730,277	-
Component units:		
SURA	377,491	443,971
SIDA	-	2,143,118
SEDCO	-	<u>3,767,591</u>
Total	<u>\$ 6,470,808</u>	<u>\$ 6,470,808</u>

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONT'D)

Receivables and Payables (Cont'd)

The amounts receivable and payable above are as of June 30, 2006. The amounts due to and due from the primary government in the basic financial statement for SIDA and SEDCO are as of December 31, 2005. The interfund receivables and payables differences relating to SIDA and SEDCO result from loan and other transactions in the normal course of business.

Transfers

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to the Capital Projects and Debt Service Funds. They also facilitate the contribution of proprietary fund earnings to the General Fund. Interfund transfers for the fiscal year ended June 30, 2006, which were routine in nature, were as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$ 1,400,000	\$ 20,725,340
Capital Projects Fund	3,843,689	3,912,257
Special revenue funds:		
City School District	5,461,706	18,429,863
Oil and Flushing	-	98,288
Debt Service Fund	34,457,034	-
Proprietary funds:		
Water	-	1,400,000
Food Service	-	596,681
Total	<u>\$ 45,162,429</u>	<u>\$ 45,162,429</u>

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

9. RETIREMENT BENEFITS

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Policemen's and Firemen's Retirement System (PFRS). The School District also participates in the New York State and Local Employees' Retirement System and in the New York State and Local Teachers' Retirement System (TRS). These are cost sharing multiple public employer defined benefit retirement systems (Systems). The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees, are governed by the New York State Retirement and Social Security Law (NYSRSSL). The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

All participating employers in each System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Systems. The Systems are noncontributory except for employees who joined the ERS after July 26, 1976, or the TRS after June 26, 1976, who contribute 3% of their salary during the first 10 years of service. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Systems.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the control of the funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to:

ERS and PFRS:

The New York State and Local Retirement Systems, Governor Smith State Building, Albany, New York 12244.

TRS:

The New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

The City is required to contribute based upon an actuarially-determined rate. The required contributions are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>PFRS</u>
June 30, 2006	\$ 14,173,919	\$ 6,701,245	\$ 10,954,316
June 30, 2005	11,240,220	7,854,395	11,455,674
June 30, 2004	6,657,007	5,046,463	4,503,591

(Continued)

9. RETIREMENT BENEFITS (CONTINUED)

Local Pension Funds

The City maintains Local Fire Pension and Police Pension Funds for those employees who did not elect to join the State System in 1923. The City last accepted new members in 1934. The plans were non-contributory on the part of employees. Local pension costs are recognized as paid. For the year ended June 30, 2006, \$17,668 was paid by the City's Fiduciary Pension Trust Funds. On June 30, 2006, there were 2 widows receiving payments under the plans. The pension benefit obligation of this plan is not significant to the City.

10. SELF INSURANCE

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City is primarily self-insured for medical, dental, workers' compensation and general liability claims. Airport claims in excess of \$100,000 are insured as are losses relating to airport vehicles in excess of \$5,000,000. Property coverage exists for certain buildings including City Hall, airport terminal, City Hall Commons, Department of Public Works and all city schools for losses in excess of \$100,000 per occurrence.

With the exception of the City School District and the business-type funds, the City currently reports all of its risk management activities in the General Fund. Claim expenditures and liabilities are reported when it is probable that a loss occurred and the amount of that loss can be reasonably estimated. Liabilities accrued include an estimate of claims that have been incurred but not reported.

The estimated liability for health and dental claims is based on prior experience with actual payments of claims. The estimated liability for workers' compensation represent claims which have occurred and are open, due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. Judgments and claims liability is based on estimates received from the City's Department of Law or external counsel defending the claims.

The City believes these provisions, as described in Note 4, are adequate to cover their liability for claims based on current available information but these estimates may differ from the amount ultimately paid when claims are settled.

(Continued)

11. POST EMPLOYMENT BENEFITS

In addition to the retirement benefits described in Note 9, the City provides postretirement health care benefits to its retired employees and their survivors. The City pays for all costs except \$50 per year paid by retired police and firemen with 20 years of service and survivors who pay \$88 per month. Substantially all other City employees may become eligible for health insurance benefits if they reach normal retirement age while working for the City after 10 years of service. At June 30, 2006, approximately 1,660 City retirees and survivors were eligible. Expenditures for retiree health costs are expensed when paid. Expenditures for the year ended June 30, 2006, net of retiree and survivor contributions of \$285,000, were approximately \$15,263,000.

School District employees may become eligible for these benefits if they attain normal retirement age while working for the District and have at least 5 years of full-time service with the District if hired after January 1, 1980. At June 30, 2006, approximately 2,000 retirees met these requirements. The retirees must contribute to the cost of benefits, up to age 65, an amount equal to the current cost of Medicare Part B. Retirees age 65 and older are responsible for paying Medicare B coverage directly to the federal government. The District is responsible for all other costs. Expenditures for retiree health insurance costs are expensed as paid. Expenditures for retiree health insurance costs for the year ended June 30, 2006, net of retiree contributions of \$765,000 were approximately \$11,900,000.

12. CONTINGENCIES AND COMMITMENTS

Numerous real estate tax certiorari proceedings are presently pending against the City of Syracuse, New York on grounds of alleged inequality of assessment. Adverse decisions to the City could have a substantial impact through the reduction of assessments and tax refunds to successful litigants. 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.

For the year ended June 30, 2006, the District recorded a long-term liability of \$11,008,339 in the Statement of Net Assets, to recognize estimated costs associated with asbestos remediation in District buildings.

The City has a potential liability for employees who are not entered into the Retirement System due to the fact that they were never offered the right to join. Any liability relating to this contingency is not determinable at June 30, 2006.

The City and the District entered into an agreement 4/1/04 to create the Joint School Construction Board (JSCB). The JSCB will manage and administer the design, renovation and financing for existing public schools in the District. Currently, it is not expected that general obligation debt of the City will be used to finance the school improvement program. The JSCB reports to the Common Council and the District Board every 6 months on the status of projects. The JSCB will continue for 5 years and may be renewed for an additional 5 years.

(Continued)

12. CONTINGENCIES AND COMMITMENTS (CONT'D)

In connection with the proposed school building improvement program the Cooperative School Reconstruction Act was approved by the State Legislature and signed into legislation by the Governor in 2006. The Act authorizes the School District to improve 7 buildings named in the Act at a cost of \$225 million. The Act authorizes new and innovative ways to renovate the buildings and authorizes financing techniques to accomplish the plan. The Act also allows the JSCB to enter into contracts for School projects on behalf of the City and District.

A plan identifying projects has been prepared for JSCB consideration. Upon approval by JSCB the plan must be submitted to the State Comptroller for approval and then the JSCB can select the projects to be undertaken. Plans and specs will be prepared and submitted to the Common Council for approval. The final plan and specs must then be submitted to the State Education Department once approved contracts can be obtained. It is not possible to provide financing schedule estimates for the various buildings at this time. Currently, it is expected that multiple financings will be used over a period of several years. The Act provides for various financing structures and methods of obtaining financing. The JSCB can elect to use general obligations but this alternative is not presently under consideration due to the magnitude of the financing requirements and the City's constitutional debt margin.

13. SUBSEQUENT EVENTS

On September 19, 2006 the City issued \$84,000,000 in Revenue Anticipation Notes (RANS) to cover an expected cash flow shortage due to the timing of cash receipts from various sources. Of this amount, \$50,000,000 was for School District purposes and the remaining \$34,000,000 was for general City purposes.

In August 2006, the City sold tax liens to American Tax Funding Services. All tax liens were sold on a non-recourse basis. The City sold liens for City property taxes with a current value of approximately \$1.7 million and received a cash payment of approximately \$1.5 million. The City also sold liens for delinquent County taxes; all proceeds received from the sale of these taxes were paid to the County. This lien sale was not recorded as revenue in the fund financial statements at June 30, 2006 as it was not considered to be available to pay expenditures of the current period.

(Concluded)

CITY OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL AND MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Special Revenue Fund - City School District			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUES:							
General property taxes and tax items	\$ 31,335,051	\$ 31,335,051	\$ 32,330,683	\$ 50,871,701	\$ 50,871,701	\$ 50,840,902	\$ (30,799)
Sales tax and use taxes	61,813,485	61,813,485	65,559,606	4,085,392	4,085,392	4,194,963	109,571
Other local taxes	3,496,986	3,496,986	3,765,495	-	-	-	-
Departmental revenues	11,732,879	11,732,879	11,321,188	-	-	-	-
Fees and service charges	3,684,156	3,685,256	3,598,572	112,650	112,650	245,973	133,323
Use of money and property	273,000	273,000	1,353,471	962,500	962,500	1,642,465	679,965
Federal and state aid and other grants	61,559,033	61,559,033	62,166,583	282,938,240	289,509,076	271,594,174	(17,914,902)
Other revenues	2,252,031	5,213,150	3,201,982	353,601	353,601	650,141	296,540
Total revenues	176,146,621	179,108,840	183,297,580	339,324,084	345,894,920	329,168,618	(16,726,302)
EXPENDITURES:							
Current:							
General government support	21,894,000	21,974,550	21,044,758	39,649,136	41,558,011	41,646,585	(88,574)
Public safety	108,283,393	111,186,773	107,101,157	-	-	-	-
Transportation	19,282,283	19,451,488	18,891,119	-	-	-	-
Home and community services	10,374,712	10,097,951	9,912,273	3,078,493	3,558,913	2,257,097	1,301,816
Culture and recreation	8,937,988	8,640,834	8,538,182	-	-	-	-
Education	-	-	-	287,413,846	288,436,782	275,070,762	13,366,020
Interest on debt	730,000	1,202,743	1,248,854	1,276,650	1,476,650	1,457,083	19,567
Total expenditures	169,502,376	172,554,339	166,736,343	331,418,125	335,030,356	320,431,527	14,598,829
EXCESS OF REVENUES OVER EXPENDITURES	6,644,245	6,554,501	16,561,237	7,905,959	10,864,564	8,737,091	(2,127,473)
OTHER FINANCING SOURCES (USES):							
Bond proceeds	3,861,793	3,861,793	3,717,156	-	-	-	-
Bond proceeds from refunding bonds	25,492,969	25,492,969	25,492,969	-	-	-	-
Payment to refunded bond escrow agent	(25,492,969)	(25,492,969)	(25,492,969)	-	-	-	-
Operating transfers in	1,400,000	1,400,000	1,400,000	4,855,355	4,855,355	5,461,706	606,351
Operating transfers out	(21,493,901)	(21,493,901)	(20,725,340)	(18,827,313)	(21,799,919)	(18,429,863)	3,370,056
Total other financing uses - net	(16,232,108)	(16,232,108)	(15,608,184)	(13,971,958)	(16,944,564)	(12,968,157)	3,976,407
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES	\$ (9,587,863)	\$ (9,677,607)	953,053	\$ (6,065,999)	\$ (6,080,000)	(4,231,066)	\$ 1,848,934
EFFECT OF ENCUMBRANCES			57,238			2,589,974	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			\$ 1,010,291			\$ (1,641,092)	

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

**CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2006**

	CITY SCHOOL DISTRICT	CITY	TOTAL
ASSETS:			
Pooled cash and cash equivalents	\$ -	\$ 4,750,250	\$ 4,750,250
Pooled restricted cash and cash equivalents	-	16,017,836	16,017,836
Due from agency funds	14,432,405	-	14,432,405
Due from other governments	-	40,490	40,490
TOTAL ASSETS	<u>\$ 14,432,405</u>	<u>\$ 20,808,576</u>	<u>\$ 35,240,981</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 3,028,668	\$ 2,317,329	\$ 5,345,997
Bond anticipation notes payable	6,650,000	-	6,650,000
Due to other funds	-	696,250	696,250
Due to other governments	-	100,000	100,000
Total liabilities	<u>9,678,668</u>	<u>3,113,579</u>	<u>12,792,247</u>
FUND BALANCES:			
Reserved for encumbrances	3,705,519	1,082,754	4,788,273
Reserved for bonded capital projects	-	16,612,243	16,612,243
Reserved for bonded debt	1,048,218	-	1,048,218
Total fund balance	<u>4,753,737</u>	<u>17,694,997</u>	<u>22,448,734</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,432,405</u>	<u>\$ 20,808,576</u>	<u>\$ 35,240,981</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES:			
Departmental revenues	\$ -	\$ 37,824	\$ 37,824
Use of money and property	-	300,416	300,416
Federal and state aid and other grants	4,287,653	625,469	4,913,122
Other revenues	-	279,239	279,239
Total revenues	<u>4,287,653</u>	<u>1,242,948</u>	<u>5,530,601</u>
EXPENDITURES:			
Capital outlays	<u>16,868,861</u>	<u>16,961,069</u>	<u>33,829,930</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(12,581,208)</u>	<u>(15,718,121)</u>	<u>(28,299,329)</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds	7,661,532	14,858,630	22,520,162
Operating transfers in	1,206,339	2,637,350	3,843,689
Operating transfers out	-	(3,912,257)	(3,912,257)
Total other financing sources - net	<u>8,867,871</u>	<u>13,583,723</u>	<u>22,451,594</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(3,713,337)</u>	<u>(2,134,398)</u>	<u>(5,847,735)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>8,467,074</u>	<u>19,829,395</u>	<u>28,296,469</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,753,737</u>	<u>\$ 17,694,997</u>	<u>\$ 22,448,734</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Debt Service (Combined)	Special Revenue					Permanent Funds (Combined)	Total Nonmajor Governmental Funds
		Special Grants	Special Assessment Districts	Local Development	Oil & Flushing	Miscellaneous Trusts		
ASSETS:								
Pooled cash and cash equivalents	\$ 4,452,479	\$ -	\$ 265,759	\$ -	\$ 538,145	\$ -	\$ 803,904	
Pooled restricted cash	-	305,290	-	-	-	515,894	5,283,663	
Restricted cash	3,851,671	-	-	-	-	15,669	15,669	
Accounts receivable	-	-	1,176	-	-	-	3,852,847	
Taxes receivable (net allowance of \$246,309)	-	-	231,540	-	-	-	231,540	
Due from other funds	3,555,107	6,000	-	-	-	-	3,561,107	
Due from other governments	-	1,277,077	-	-	-	-	1,277,077	
Due from component units (net of allowance of \$1,730,277)	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 11,859,257	\$ 1,588,367	\$ 498,475	\$ -	\$ 538,145	\$ 515,894	\$ 15,025,807	
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable and accrued expenses	\$ -	\$ 165,305	\$ 5,938	\$ -	\$ 19,528	\$ 13,775	\$ 204,546	
Due to other funds	-	1,104,364	-	-	-	-	1,104,364	
Due to component units	-	13,408	-	-	-	-	13,408	
Deferred revenues	3,851,671	305,290	220,777	-	-	-	4,377,738	
Total liabilities	3,851,671	1,588,367	226,715	-	19,528	13,775	5,700,056	
Fund Balances:								
Reserved for bonded debt	8,007,586	-	-	-	-	-	8,007,586	
Reserved for trusts and permanent funds	-	-	-	-	-	502,119	527,788	
Unreserved	-	-	271,760	-	518,617	-	790,377	
Total fund balances	8,007,586	-	271,760	-	518,617	502,119	9,325,751	
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,859,257	\$ 1,588,367	\$ 498,475	\$ -	\$ 538,145	\$ 515,894	\$ 15,025,807	

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Debt Service (combined)	Special Revenue					Permanent Funds (Combined)	Total Nonmajor Governmental Funds
		Special Grants	Special Assessment Districts	Local Development	Oil & Flushing	Miscellaneous Trusts		
REVENUES:								
General property taxes and tax items	\$ -	\$ -	\$ 829,106	\$ -	\$ 1,628,982	\$ -	\$ 2,458,088	
Other local taxes	505,105	-	-	-	-	-	505,105	
Departmental revenues	-	4,106	-	-	-	43,839	47,945	
Fees and service charges	-	-	10,647	-	-	-	10,647	
Use of money and property	850,376	-	-	-	-	564	859,699	
Federal and state aid and other grants	-	3,036,964	-	-	-	-	3,113,029	
Other revenues	10,525	5,814	-	-	-	-	174,908	
Total revenues	<u>1,366,006</u>	<u>3,046,884</u>	<u>839,753</u>	<u>-</u>	<u>1,628,982</u>	<u>564</u>	<u>7,169,421</u>	
EXPENDITURES:								
Current:								
General government support	-	-	813,864	-	-	-	816,104	
Public safety	-	2,688,936	-	-	2,240	-	2,892,174	
Transportation	-	53,314	-	-	203,238	-	1,833,404	
Economic opportunity and development	-	54,179	-	1,780,090	-	-	54,179	
Home and community services	-	73,473	-	-	-	-	73,473	
Culture and recreation	-	176,982	-	-	37,320	-	214,302	
Debt service	21,993,498	-	-	-	-	-	21,993,498	
Interest on debt	9,876,049	-	-	-	-	-	9,876,049	
Total expenditures	<u>31,869,547</u>	<u>3,046,884</u>	<u>813,864</u>	<u>1,780,090</u>	<u>242,798</u>	<u>-</u>	<u>37,753,183</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,503,541)</u>	<u>-</u>	<u>25,889</u>	<u>(151,108)</u>	<u>44,434</u>	<u>564</u>	<u>(30,583,762)</u>	
OTHER FINANCING SOURCES (USES):								
Bond Proceeds	-	-	-	1,110,000	-	-	1,110,000	
Bond proceeds from refunding bonds	22,315,044	-	-	-	-	-	22,315,044	
Payments to refunded bond escrow agent	(22,315,044)	-	-	-	-	-	(22,315,044)	
Operating transfers in	34,457,034	-	-	-	-	-	34,457,034	
Operating transfers out	-	-	-	(98,288)	-	-	(98,288)	
Total other financing sources - net	<u>34,457,034</u>	<u>-</u>	<u>-</u>	<u>1,011,712</u>	<u>-</u>	<u>-</u>	<u>35,468,746</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>3,953,493</u>	<u>-</u>	<u>25,889</u>	<u>860,604</u>	<u>44,434</u>	<u>564</u>	<u>4,884,984</u>	
FUND BALANCES AT BEGINNING OF YEAR	<u>4,054,093</u>	<u>-</u>	<u>245,871</u>	<u>(341,987)</u>	<u>457,685</u>	<u>25,105</u>	<u>4,440,767</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 8,007,586</u>	<u>\$ -</u>	<u>\$ 271,760</u>	<u>\$ 518,617</u>	<u>\$ 502,119</u>	<u>\$ 25,669</u>	<u>\$ 9,325,751</u>	

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

**CITY OF SYRACUSE, NEW YORK
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND
 JUNE 30, 2006**

	<u>CITY SCHOOL DISTRICT</u>	<u>CITY</u>	<u>TOTAL</u>
ASSETS:			
Pooled restricted cash and cash equivalents	\$ -	\$ 4,452,479	\$ 4,452,479
Accounts receivable	-	3,851,671	3,851,671
Due from agency funds	3,555,107	-	3,555,107
TOTAL ASSETS	<u>\$ 3,555,107</u>	<u>\$ 8,304,150</u>	<u>\$ 11,859,257</u>
LIABILITIES/Deferred revenues	\$ -	\$ 3,851,671	\$ 3,851,671
FUND BALANCES/Reserved for Bonded Debt	<u>3,555,107</u>	<u>4,452,479</u>	<u>8,007,586</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 3,555,107</u>	 <u>\$ 8,304,150</u>	 <u>\$ 11,859,257</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES:			
Other local taxes	\$ -	\$ 505,105	\$ 505,105
Use of money and property	577,990	272,386	850,376
Other revenues	-	10,525	10,525
Total revenues	<u>577,990</u>	<u>788,016</u>	<u>1,366,006</u>
EXPENDITURES:			
Debt service	9,492,946	12,500,552	21,993,498
Interest on debt	4,586,493	5,289,556	9,876,049
Total expenditures	<u>14,079,439</u>	<u>17,790,108</u>	<u>31,869,547</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(13,501,449)	(17,002,092)	(30,503,541)
OTHER FINANCING SOURCES (USES):			
Bond proceeds from refunding bonds	22,315,044		22,315,044
Payment to refunded bond escrow agent	(22,315,044)		(22,315,044)
Operating transfers in	14,079,441	20,377,593	34,457,034
Total other financing sources - net	<u>14,079,441</u>	<u>20,377,593</u>	<u>34,457,034</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	577,992	3,375,501	3,953,493
FUND BALANCES AT BEGINNING OF YEAR	<u>2,977,115</u>	<u>1,076,978</u>	<u>4,054,093</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,555,107</u>	<u>\$ 4,452,479</u>	<u>\$ 8,007,586</u>

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
 COMBINING BALANCE SHEET
 MISCELLANEOUS TRUST FUNDS
 JUNE 30, 2006

	Parks Trusts	Police Trusts	Fire Trusts	General Government Trusts	Francis Hendricks	Police State Seizures	Police Federal Seizures	Weed & Seed Asset Forfeitures	Total City Miscellaneous Trust Funds
ASSETS/Pooled restricted cash	\$ 49,682	\$ -	\$ 1,867	\$ 7,009	\$ 125	\$ 229,807	\$ 221,733	\$ 5,671	\$ 515,894
LIABILITIES AND FUND BALANCES:									
LIABILITIES/Accounts payable and accrued expenses	\$ 4,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,641	\$ 25	\$ 13,775
FUND BALANCES/Reserved for trusts	45,573	-	1,867	7,009	125	229,807	212,092	5,646	502,119
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,682	\$ -	\$ 1,867	\$ 7,009	\$ 125	\$ 229,807	\$ 221,733	\$ 5,646	\$ 515,894

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MISCELLANEOUS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Parks Trusts	Police Trusts	Fire Trusts	General Government Trusts	Francis Hendricks	Police State Seizures	Police Federal Seizures	Weed & Seed Asset Forfeitures	Total City Miscellaneous Trust Funds
REVENUES:									
Departmental revenues	\$ 43,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,839
Use of money and property	-	-	-	-	125	3,342	5,292	-	8,759
Federal and state aid and other grants	-	-	-	-	-	-	-	76,065	76,065
Other revenues	-	-	-	-	-	78,293	80,276	-	158,569
Total revenues	43,839	-	-	-	125	81,635	85,568	76,065	287,232
EXPENDITURES:									
Current:									
General government support	-	-	-	2,196	44	-	-	-	2,240
Public safety	-	-	-	-	-	-	127,023	76,215	203,238
Culture and recreation	37,320	-	-	-	-	-	-	-	37,320
Total expenditures	37,320	-	-	2,196	44	-	127,023	76,215	242,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,519	-	-	(2,196)	81	81,635	(41,455)	(150)	44,434
FUND BALANCES AT BEGINNING OF YEAR	39,054	-	1,867	9,205	44	148,172	253,547	5,796	457,685
FUND BALANCES AT END OF YEAR	\$ 45,573	\$ -	\$ 1,867	\$ 7,009	\$ 125	\$ 229,807	\$ 212,092	\$ 5,646	\$ 502,119

**CITY OF SYRACUSE, NEW YORK
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2006**

	CITY SCHOOL DISTRICT	CITY	TOTAL
ASSETS:			
Pooled restricted cash	\$ -	\$ 10,000	\$ 10,000
Restricted cash	15,669	-	15,669
Total assets	\$ 15,669	\$ 10,000	\$ 25,669
 FUND BALANCES:			
Reserved for permanent funds	\$ 15,669	\$ 10,000	\$ 25,669

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES/Use of money and property	\$ 564	\$ -	\$ 564
EXPENDITURES/General government support	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	564	-	564
FUND BALANCES AT BEGINNING OF YEAR	15,105	10,000	25,105
FUND BALANCES AT END OF YEAR	\$ 15,669	\$ 10,000	\$ 25,669

See Accompanying Independent Auditor's Report and Notes to Basic Financial Statements