BASIC FINANCIAL STATEMENTS

CITY OF SYRACUSE, NEW YORK

JUNE 30, 2007

CITY OF SYRACUSE, NEW YORK

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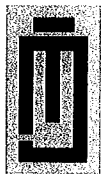

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INDEPENDENT AUDITOR'S REPORT

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, 2007, 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 98.4% 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 opinion.

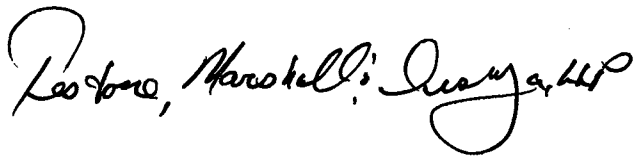
(Continued)

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, 2007, 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 16 and page 64, 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 an opinion 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 February 26, 2008, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



February 26, 2008
Syracuse, New York

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, 2007.

Please read it in conjunction with the City's basic financial statements, including the notes to the financial statements, which begin on page 31. 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 $12.9 as a result of this year's operations. Net assets of our governmental activities decreased by $2.1, while business-type activities increased by approximately $15.0.

During the year, excluding capital contributions of $12.6, the City had revenues that were $0.3 more than the $651.9 in total program expenses. Last year revenues exceeded expenses by $4.6 before capital contributions of $6.9.

In the City's business-type activities, revenues increased to $72.7, a 3.9% increase over last year's revenues of $70.0. Expenses for this year increased to $67.8, a 8.8% increase over last year's $62.3.

In the City's governmental activities, revenues increased to $579.5 versus last year's revenues of $539.0, an 7.5% increase. Expenses increased this year (before transfers) to $584.1 versus last year at $542.1, a 7.8 % increase.

Of the City's total governmental net assets reported at June 30, 2007, $174.8 was invested in capital assets (net of related debt) versus $176.7 the previous year. Unrestricted net assets this year were ($54.7) versus last year's ($53.5).

The City's general fund reported a surplus for this year of $15.3, including other financing sources and uses. The resources available for appropriation (revenues and bond proceeds) were approximately $13.0 more than the revised budget. Expenditures, including transfers out, were approximately $11.7 under the revised budget. At the end of the current fiscal year, undesignated fund balance of the City's general fund was $40.9 and 21.6 % of total general fund actual expenditures (including transfers out).

(Continued)

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 17 and 18) 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 19. 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.

(Continued)

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 10. The fund financial statements begin on page 19 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 statement 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 page 27. *Agency funds* are reported on a full accrual basis and only present a statement of assets and liabilities.

(Continued)

THE CITY AS A WHOLE

The City's combined net assets increased from $ 248.3 at June 30, 2006 to $ 261.2 at June 30, 2007. 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 213.7	$ 189.9	$ 58.3	$ 60.9	$ 272.0	$ 250.8
Capital assets	362.2	366.2	156.8	141.8	519.0	508.0
Total assets	$ 575.9	$ 556.1	$ 215.1	$ 202.7	$ 791.0	$ 758.8
General obligation bonds outstanding	$ 243.7	$ 247.3	$ 61.3	$ 66.0	$ 305.0	$ 313.3
Other long-term liabilities	147.1	119.7	5.2	4.9	152.3	124.6
Other liabilities	58.3	60.2	14.2	12.4	72.5	72.6
Total liabilities	$ 449.1	$ 427.2	$ 80.7	$ 83.3	$ 529.8	$ 510.5
Net Assets						
Invested in capital assets, net of related debt	$ 174.8	$ 176.7	$ 100.1	$ 87.7	$ 274.9	$ 264.4
Restricted	6.7	5.7	-	.5	6.7	6.2
Unrestricted (deficit)	(54.7)	(53.5)	34.3	31.2	(20.4)	(22.3)
Total net assets	$ 126.8	$ 128.9 Restated	$ 134.4	$ 119.4 Restated	$ 261.2	$ 248.3 Restated

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, 2007, this balance was $274.9 versus $ 264.4 at June 30, 2006. 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, $6.7 at June 30, 2007, 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, 2007 were a deficit of $20.4, versus a deficit at June 30, 2006 of $22.3.

(Continued)

THE CITY AS A WHOLE (CONT'D)

Governmental activities

Total net assets of the City's governmental activities decreased slightly from $128.9 to $126.8 as of June 30, 2007.

The *deficit* in *unrestricted* net assets increased slightly, increasing to $54.7 at June 30, 2007 compared to the previous year *deficit* of $53.5. This was a negative change of $1.2 in the unrestricted net assets of the City's governmental activities.

Business-type activities

The net assets of our business-type activities increased by 12.6% in 2007 ($134.4 compared to $119.4). Approximately 82.7 % of this increase or $12.4 is invested in capital assets. The remainder, approximately $2.6, is represented as an increase in unrestricted net assets primarily due to a surplus from operations in both the water and sewer operation which were offset by a loss in the school food service operation. 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, 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 18. 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	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Fees, fines and charges for services	$ 17.4	$ 15.2	$ 59.7	$ 56.4	$ 77.1	$ 71.6
Grants and contributions	112.3	113.5	11.2	12.2	123.5	125.7
General revenues:						
Property taxes and tax items	86.3	82.7	-	-	86.3	82.7
Other taxes	3.7	3.8	-	-	3.7	3.8
Sales and use taxes	67.7	69.8	0.1	0.1	67.8	69.9
Unallocated state aid	270.3	242.5	-	-	270.3	242.5
Unallocated federal aid	3.2	6.4	-	-	3.2	6.4
Investment earnings	5.9	4.1	1.8	1.3	7.7	5.4
Other general revenues	12.6	1.0	-	-	12.6	1.0
Total revenues	579.4	539.0	72.8	70.0	652.2	609.0

(Continued)

THE CITY AS A WHOLE (CONT'D)

Changes in net assets (Cont'd)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Program expenses						
Total governmental	584.1	542.1	-	-	584.1	542.1
School District Food Service	-	-	8.5	8.1	8.5	8.1
Aviation	-	-	41.5	37.2	41.5	37.2
Water	-	-	13.4	13.2	13.4	13.2
Sewer	-	-	4.4	3.8	4.4	3.8
Total expenses	584.1	542.1	67.8	62.3	651.9	604.4
Excess (deficiency) before transfers	(4.7)	(3.1)	5.0	7.7	.3	4.6
Transfers	2.6	2.0	(2.6)	(2.0)	-	-
Capital contributions	-	-	12.6	6.9	12.6	6.9
Increase (decrease) in net assets	$ (2.1)	$ (1.1)	$ 15.0	$ 12.6	$ 12.9	$ 11.5

The City's total revenues in 2007 increased by $43.2 ($652.2 compared to the previous year of $609.0). This change was largely due to an increase in Unallocated State Aid ($27.8), a property tax and related items revenue increase due primarily to an increase in school tax revenue ($3.3), and revenues received which were attributable to the Carousel Center Expansion ($9.8). Increases in miscellaneous departmental revenues comprise the balance of the increase.

The total cost of all programs and services increased by 7.9 % or $ ($651.9 compared to $604.4 in the prior year). The increase in revenues sufficient to cover this year's costs, exceeding costs by $0.3. This increase, combined with capital contributions of $12.6, increased the net assets of the City by $12.9 for fiscal year 2007 versus an increase of $11.5 for fiscal year 2006. 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 increased from $539.0 in 2006 to $579.5 in 2007, an increase of $40.5. This increase comprises the bulk of the increase in the City's total 2007 revenues. The major reasons for the increase were discussed in the section immediately preceding this one.

Program expenses increased in 2007, going from $542.1 in 2006 to $584.1 in 2007, a 7.8 % or $42.0 increase. The most notable increases were in the following programs:

School District Education expenses increased by $26.8, $297.8 in 2007 compared to $271.0 in 2006.

School District Pupil Transportation costs increased by $2.7, $13.5 in 2007 compared to $10.8 in 2006.

(Continued)

THE CITY AS A WHOLE (CONT'D)

Governmental Activities (Cont'd)

General Government Support costs were up $6.1 in 2007 versus 2006. School District General Support costs increased by $5.5, $46.7 in 2007 compared to $41.2 in 2006. The balance of the increase, $.6, was distributed throughout the remaining General Government Support lines.

Law Enforcement expenses were $4.6 higher in 2007 than 2006. Most notably, Police pension costs increased $1.6 in 2007 and Uniformed Police salaries (including overtime) increased by $1.5. The balance of the increase was distributed throughout other Law Enforcement expense lines.

Additionally, Fire Department costs rose $1.5 and Transportation (Public Works) costs rose a modest $1.2.

The increase in program expenses together with the slightly smaller increase in program revenues, as discussed above, resulted in a decrease in net assets for 2007 of ($2.1) after transfers, versus a decrease in net assets for 2006 of ($1.1).

Business-type Activities

Revenues in the City's business-type activities (See Table 2) increased by 4.0 %, or $2.8 ($72.8 in 2007 as compared to $70.0 in 2006). This increase, as compared to 2006, was related to an increase in service revenues of $1.2 in Aviation and $1.9 in Water. Additionally, investments yielded an additional $0.5 compared to 2006 and offset by a net $1.0 decrease in Capital Grants..

Expenses of the City's business type activities increased by 8.8 %, or $5.5 ($67.8 versus $62.3 last year). Substantially all of this increase was related to the airport ($4.2), sewer ($0.6) and food service ($0.4) operations.

Airport program costs represent the bulk of the cost increase. Major contributors to this increase are additional depreciation expense (first year of depreciation for substantial new construction work, retroactive payments to Police and Fire personnel ($0.3), increases in direct air service assistance ($0.4) and increased costs ongoing air service work done by outside consultants to bring new services and airlines to the airport accompanied by the normal rise in the costs of operation.

Although both program revenues and expenses increased in 2007 versus 2006, the excess before transfers and capital contributions for 2007 was $5.0. This is less than 2006, which was $7.7, due to the fact that expenditures increased more than revenues. When transfers and capital contributions are considered, the increase in net assets of the business-type activities for 2007 was $15.0 versus $12.6 for 2006 due to higher capital contributions in 2007 (see Table 2 for more detail).

(Continued)

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 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 $93.4, which is substantially more than last year's total of $82.2. The bulk of this increase results from receipts related to the Carousel Mall expansion ($9.8) which were not included in the budget and therefore, were not appropriated. Approximately $57.5 this year, versus $45.8 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 $46.7, while total fund balance was $47.2. Last year unreserved fund balance was $31.4 and total fund balance was $31.9. 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, 2007, unreserved fund balances represent 24.7 % of total fund expenditures (including transfers out), while total fund balance represents 25 % of that same amount. The fund balance of the City's general fund increased by $15.3 during the current fiscal year. The original adopted budget for 2007 included appropriated fund balance of $9.3 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 $9.3, if actual performance mirrored original budget expectations. However, as discussed earlier, the general fund actually had a surplus of $15.3 due mostly to unbudgeted receipts attributable to the Carousel Mall Expansion ($10.6), higher than anticipated revenues from sales tax ($0.6), collection of current and prior years property taxes ($2.0), investment interest ($1.0), mortgage tax ($0.5), Federal Government subsidy for Medicare ($0.9) together with actual expenditures that were lower than the original budget by approximately $10.3. Most notably, public safety costs were $7.9 less than budgeted. This variance in public safety costs is due primarily to the fact that retirement, health and other "fringe" costs for public safety personnel were considerably less than the amounts budgeted ($6.6 combined). The balance of the public safety savings reflected cost reductions in individual public safety departments. The balance of the overall $10.3 variance of expenditures from budget ($2.5) was spread across the remaining functions. Actual revenues exceeded the final, revised budget by $16.7; and expenditures were $10.3 less than the final, revised budget.

(Continued)

THE CITY'S FUNDS (CONT'D)

- *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 $21.2. Of this amount $5.1 was encumbered for contracts underway and $16.1 was reserved for bonded capital projects and bonded debt.

- *School district special revenue fund* --- The School District special revenue fund in 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 $14.4; last year it was $18.6. The decrease of $4.2 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 $ 265.6 and expenditures (including transfers out) were $269.8.

- *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 $ 16.1 in both revenues and expenditures. For fiscal year 2006, the fund recorded revenues and expenditures of $17.1. At June 30, 2007, total assets were $11.7 and total liabilities were $11.7. At the end of the previous fiscal year, total assets were $ 13.3 and liabilities were $13.3.

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 $134.4. The increase of $15.0 in total net assets of the proprietary funds from 2006 to 2007, by fund, was comprised of the following: aviation fund increased by $12.3; the water fund increased by $2.6, the sewer fund increased by $0.8, and the city school district food service fund had a $0.7 deficit.

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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 $200.0. Included in the estimated revenues was an appropriation of fund balance of $9.3.

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 $200.6, utilizing $9.4 of fund balance. See page 64 [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 $15.3, as compared to a final adopted budget with a deficit of $9.4.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In accordance with GASBS 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, 2007, amounted to $519.1 (net of accumulated depreciation). The previous year's amount was $508.1. 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 $362.2 (net of accumulated depreciation) this year as compared to $366.2 last year. For the City's business-type activities, the balance at the end of this year was $156.8 (net of accumulated depreciation) as compared to $141.9 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 GASBS 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 -- $21.9
- School District Furniture and Equipment -- $6.2
- School District Vehicles -- $0.4

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Capital Assets (Cont'd)

- City Owned Building Improvements -- $2.2
- Street Reconstruction – $14.6
- Parking Garage Improvements -- $8.2
- Police Vehicles & Equipment -- $0.5
- Fire Department Equipment -- $0.8
- Street Resurfacing -- $0.3
- Bridge Repairs -- $1.6
- Sidewalk Reconstruction -- $1.7
- Street Lighting and Traffic Control -- $0.5
- Engineering Equipment -- $0.3
- Park Improvements -- $1.0
- Parks Equipment -- $0.2
- Oiling & Flushing Equipment -- $0.3
- Sewer System Reconstruction -- $5.0
- Water System Reconstruction -- $2.8
- Sewer Equipment -- $0.3
- Water Equipment -- $0.4
- Airport Runway 10/28 Overlay -- $8.3
- Airport Airfield Drainage -- $5.3
- Airport HVAC Upgrade -- $0.1
- Airport Equipment -- $0.5
- Airport Runway 33 Safety Area -- $0.3

Depreciation expense for the current fiscal year was $27.9 for governmental activities and $11.7 for business-type activities.

Long-term Debt

At year-end the City had $340.6 outstanding in bonds and notes versus $339.6 last year, an increase of .3%. See Table 3 below for a breakdown of bonds and notes by governmental activities and business-type activities.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt (Cont'd)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds	$ 243.7	$ 247.3	$ 61.3	$ 66.0	$ 305.0	$ 313.3
Bond anticipation notes	-	6.6	1.6	2.0	1.6	8.6
Revenue anticipation notes	34.0	14.4	-	-	34.0	14.4
Tax anticipation notes	-	3.3	-	-	-	3.3
Total	$ 277.7	$ 271.6	$ 62.9	$ 68.0	$ 340.6	$ 339.6

With respect to general obligation bonds, total new debt issued during the year was $19.3. Proceeds were used to finance capital projects. Major projects comprising most of the $19.3 are as follows:

- School District School Renovation & Improvement -- $9.0
- School District Vehicles -- $0.5
- Fire Trucks & Vehicles -- $0.5
- City-Owned Building Improvements -- $0.4
- DPW Road Parking Reconstruction -- $0.1
- Traffic Signal/Intersection Upgrade -- $0.3
- Asphalt Plant Upgrade -- $2.5
- City Hall Roof Replacement -- $0.4
- Traffic Sign Rehabilitation -- $0.1
- Road Reconstruction -- $4.0
- Butternut Street Streetscape -- $0.5
- South Salina Gateway -- $0.2
- Bridge & Retaining Wall Reconstruction -- $0.7
- Camillus Ravine Stabilization (Water) -- $0.3

Bond Anticipation Notes were issued in April, 2007 for Airport purposes in the amount of $1.6. These notes were paid in October, 2007 and replaced with new BANs in the amount of $1.2. The City also redeemed $6.6 of School District Bond Anticipation Notes and $3.3 of Tax Anticipation notes that were outstanding at June 30, 2006 during the period ending June 30, 2007.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt (Cont'd)

The City issued $84.0 in Revenue Anticipation Notes (RAN's) in September,2006; $50.0 on behalf of the School District and $34.0 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. The School District RANs ($50.0) were paid off prior to the end of the fiscal period. The City portion ($34.0) was paid off in July, 2007.

In September, 2007, new RANs were issued for School District purposes in the amount of $55.0. In October, 2007, additional RANs were issued in the amount of $20.0 for City cash flow purposes.

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 had a rating of Baa1 from Moody's Investors Service, a BBB+ rating form 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 fiscal year end was $327.0, 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 2008 fiscal year budget, the property tax levy was increased by 1.8 % as compared to the previous fiscal year. The actual combined property tax levy of the City and School District for fiscal year 2008 is $78.0 ($22.7 for the City and $55.3 for the School District), compared with the previous year of $76.6 million ($22.3 for the City and $54.3 for the School District), exclusive of the State's STAR program. The City and School District combined property tax rate for 2008 is $25.1202 per $1,000 of assessed property value ($7.4172 for the City and $17.7030 for the School District).

(Continued)

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

The City's 2008 budget included $5.7 use of fund balance for the City General Fund and the School District included $6.1 use of fund balance to balance appropriations. In addition, the City budgeted, and will receive additional State aid of $7.3 above fiscal year 2007. However, included in total State aid for 2008 is $5.0 that is an extension of State aid spin-up program. Future receipts from this program are not a certainty.

The Airport fund will remain self-sufficient and will not affect the City's general fund operations for 2008.

Water and Sewer rates for 2008 will remain the same as the rates for 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of Syracuse's finances and to show an 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.

(Concluded)

CITY OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
JUNE 30, 2007

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Total	Combined Component Units
ASSETS:				
Pooled cash and cash equivalents	$ 43,570,238	$ 3,328,436	$ 46,898,674	$ -
Cash and cash equivalents	-	18,883,137	18,883,137	15,441,396
Receivables:				
Accounts	6,320,540	7,236,092	13,556,632	-
Taxes (net of allowance of $16,211,704)	5,646,358	-	5,646,358	-
Other	35,080,188	-	35,080,188	888,860
Loans receivable - due within one year	7,031,818	-	7,031,818	2,954,296
Interest receivable	-	-	-	288,428
Due from other governments	73,053,151	2,845,059	75,898,210	22,357
Due from primary government	-	-	-	417,456
Due from component units (net of allowance of $5,569,748)	514,045	-	514,045	33,980
Internal balances - due within one year	2,565,112	75,417	2,640,529	-
Inventories	-	263,359	263,359	-
Other assets	95,077	330,276	425,353	727,159
Restricted assets:				
Pooled cash and cash equivalents	36,718,886	4,393,176	41,112,062	-
Cash and cash equivalents	1,834,814	19,079,669	20,914,483	-
Deferred charges	1,249,660	1,212,464	2,462,124	-
Loans receivable - due in more than one year	-	-	-	10,902,959
Internal balances - due in more than one year	-	575,250	575,250	-
Capital assets:				
Nondepreciable	95,620,393	20,496,736	116,117,129	877,109
Depreciable, net	266,619,546	136,348,426	402,967,972	18,516,271
TOTAL ASSETS	$ 575,919,826	$ 215,067,497	$ 790,987,323	$ 51,070,271
LIABILITIES:				
Accounts payable and accrued expenses	31,385,711	9,198,794	40,584,505	984,946
Accrued interest expense	6,408,847	1,567,105	7,975,952	700,078
Due to other governments	7,218,829	-	7,218,829	9,749
Due to component units	-	77,170	77,170	-
Internal balances - due within one year	-	2,624,560	2,624,560	-
Deferred revenues	11,503,368	676,773	12,180,141	-
Other liabilities	1,244,282	-	1,244,282	-
Internal balances - due in more than one year	591,219	-	591,219	-
Long-term liabilities - due within one year	101,892,113	8,776,827	110,668,940	6,228,506
Due to primary government - due within one year	-	-	-	1,122,994
Long-term liabilities - due in more than one year	288,857,928	57,728,103	346,586,031	25,702,489
Due to primary government - due in more than one year	-	-	-	5,455,011
Total liabilities	449,102,297	80,649,332	529,751,629	40,203,773
NET ASSETS:				
Invested in capital assets, net of related debt	174,788,756	100,141,876	274,930,632	2,411,604
Restricted for:				
Debt service	5,590,394	-	5,590,394	-
Project Orange	236,575	-	236,575	-
EMS training	141,514	-	141,514	-
Trusts and permanent funds	458,266	-	458,266	-
Special Grants	295,455	-	295,455	-
Loan programs	-	-	-	964,295
Unrestricted	(54,693,431)	34,276,289	(20,417,142)	7,490,599
Total net assets	126,817,529	134,418,165	261,235,694	10,866,498
TOTAL LIABILITIES AND NET ASSETS	$ 575,919,826	$ 215,067,497	$ 790,987,323	$ 51,070,271

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, 2007

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government support	$ 70,573,318	$ 3,028,460	$ 2,041,722	$ 543,187	$ (64,959,949)	$ -	$ (64,959,949)	$ -
Police department	69,935,264	3,093,830	2,432,081	-	(64,409,353)	-	(64,409,353)	-
Fire department	42,190,075	41,800	365,031	-	(41,783,244)	-	(41,783,244)	-
Other public safety	4,762,680	2,724,759	-	-	(2,037,921)	-	(2,037,921)	-
Transportation	35,330,342	6,373,117	1,079,384	2,613,337	(25,264,504)	-	(25,264,504)	-
Economic opportunity and development	2,093,755	-	2,072,731	-	(21,024)	-	(21,024)	-
Home and community services	25,670,965	1,352,966	15,452,416	-	(8,865,583)	-	(8,865,583)	-
Culture and recreation	10,517,006	542,446	407,200	-	(9,567,360)	-	(9,567,360)	-
Education	297,817,281	210,759	85,258,118	-	(212,348,404)	-	(212,348,404)	-
Pupil transportation	13,477,253	-	-	-	(13,477,253)	-	(13,477,253)	-
Interest on long-term debt	11,739,631	-	-	-	(11,739,631)	-	(11,739,631)	-
Total governmental activities	584,107,570	17,368,137	109,108,683	3,156,524	(454,474,226)	-	(454,474,226)	-
Business-type Activities:								
Aviation	41,452,196	30,668,764	-	9,005,826	-	(1,777,606)	(1,777,606)	-
Water	13,369,601	16,727,405	-	858,105	-	4,215,909	4,215,909	-
Sewer	4,403,393	4,448,557	-	803,704	-	848,868	848,868	-
Food service	8,532,049	7,892,019	501,591	-	-	(138,439)	(138,439)	-
Total business-type activities	67,757,239	59,736,745	501,591	10,667,635	-	3,148,732	3,148,732	-
TOTAL PRIMARY GOVERNMENT	$ 651,864,809	$ 77,104,882	$ 109,610,274	$ 13,824,159	(454,474,226)	3,148,732	(451,325,494)	-
Component units:								
Syracuse Industrial Development Agency	5,099,880	1,126,048	1,244,000	-	-	-	-	(2,729,832)
Syracuse Economic Development Corporation	3,009,949	1,500,714	-	-	-	-	-	(1,509,235)
Syracuse Urban Renewal Agency	17,127	-	-	-	-	-	-	(17,127)
TOTAL COMPONENT UNITS	$ 8,126,956	$ 2,626,762	$ 1,244,000	$ -	-	-	-	(4,256,194)
General revenues:								
Property taxes and tax items					86,282,741	-	86,282,741	829,920
Sales and use taxes					67,733,499	50,000	67,783,499	-
Other taxes					3,742,428	-	3,742,428	-
Unallocated state aid					270,340,414	-	270,340,414	-
Unallocated federal aid					3,194,304	-	3,194,304	-
Investment earnings					5,923,126	1,790,935	7,714,061	619,769
Capital contributions					-	12,595,041	12,595,041	-
Transfers					2,575,914	(2,575,914)	-	-
Miscellaneous					12,567,930	-	12,567,930	162,334
Total general revenues, transfers and special items					452,360,356	11,860,062	464,220,418	1,612,023
Change in net assets					(2,113,870)	15,008,794	12,894,924	(2,644,171)
Net assets at beginning of year (as restated)					128,931,399	119,409,371	248,340,770	13,510,669
Net assets at end of year					$ 126,817,529	$ 134,418,165	$ 261,235,694	$ 10,866,498

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

CITY OF SYRACUSE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Capital Projects Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
			City School District	Community Development		
ASSETS:						
Pooled cash and cash equivalents	$ 38,160,052	$ 4,352,979	$ -	$ -	$ 1,057,207	$ 43,570,238
Pooled restricted cash and cash equivalents	16,413,220	13,961,551	-	-	6,344,115	36,718,886
Restricted cash and cash equivalents	-	-	-	1,818,473	16,341	1,834,814
Loans receivable	-	-	-	7,031,818	-	7,031,818
Accounts receivable	1,296,924	-	1,180,831	-	3,842,785	6,320,540
Taxes receivable (net of allowance of $16,211,704)	5,839,442	-	3,628,707	-	244,369	9,712,518
Due from other funds	4,138,791	6,225,905	24,150,975	6,961	4,211,734	38,734,366
Due from other governments	37,365,064	729,842	27,220,274	2,402,334	1,204,062	68,921,576
Due from component units (net of allowance of $5,569,748)	63,012	-	-	451,033	-	514,045
Other assets	94,282	-	795	-	-	95,077
TOTAL ASSETS	$ 103,370,787	$ 25,270,277	$ 56,181,582	$ 11,710,619	$ 16,920,613	$ 213,453,878
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued expenses	$ 10,265,993	$ 3,467,162	$ 16,693,279	$ 3,093,675	$ 847,184	$ 34,367,293
Revenue anticipation notes payable	34,000,000	-	-	-	-	34,000,000
Due to other funds	6,961	635,750	-	95,545	986,560	1,724,816
Due to other governments	48,503	-	7,146,926	-	-	7,195,429
Due to component units	-	-	23,400	-	-	23,400
Deferred revenues	5,802,111	-	-	7,321,648	4,346,883	17,470,642
Amounts due to retirement systems	3,951,160	-	17,140,734	-	-	21,091,894
Accrued compensated absences	200,000	-	802,752	-	-	1,002,752
Self-insurance claims	1,945,891	-	-	-	-	1,945,891
Other liabilities	-	-	-	1,199,751	-	1,199,751
Total liabilities	56,220,619	4,102,912	41,807,091	11,710,619	6,180,627	120,021,868
Fund Balances:						
Reserved for encumbrances	120,561	5,075,935	4,030,402	-	-	9,226,898
Reserved for bonded capital projects	-	15,929,070	-	-	-	15,929,070
Reserved for Project Orange	236,575	-	-	-	-	236,575
Reserved for EMS Training	141,514	-			-	141,514
Reserved for bonded debt	-	162,360	-	-	9,802,128	9,964,488
Reserved for trusts and permanent funds	-	-	-	-	466,075	466,075
Unreserved:						
Designated	5,748,907	-	10,344,089	-	-	16,092,996
Undesignated	40,902,611	-	-	-	471,783	41,374,394
Total fund balances	47,150,168	21,167,365	14,374,491	-	10,739,986	93,432,010
TOTAL LIABILITIES AND FUND BALANCES	$ 103,370,787	$ 25,270,277	$ 56,181,582	$ 11,710,619	$ 16,920,613	$ 213,453,878

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

CITY OF SYRACUSE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances for governmental funds	$	93,432,010
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		362,239,939
Accounts receivable not received within 60 days and therefore not reported in the funds		502,868
Taxes collected after year end not available to pay for current year expenditures and deferred in funds		5,529,821
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		(330,855,825)
Deferred charges expensed as incurred in funds		1,249,660
Accrued interest not reported in the funds		(5,280,944)
Total net assets of governmental activities	$	126,817,529

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, 2007

	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	$ 32,137,720	$ -	$ 54,138,284	$ -	$ 2,684,662	$ 88,960,666
Sales and use taxes	63,387,401	-	4,346,098	-	-	67,733,499
Other local taxes	3,742,428	-	-	-	543,188	4,285,616
Departmental revenues	9,246,278	4,950	-	-	36,103	9,287,331
Intergovernmental charges	350,759	-	-	-	-	350,759
Licenses and permits	2,043,113	-	-	-	-	2,043,113
Fines and forfeitures	2,174,528	-	-	-	-	2,174,528
Sale of property and compensation for loss	488,570	-	23,391	-	-	511,961
Use of money and property	1,735,335	691,848	2,459,033	-	1,063,463	5,949,679
Federal and state aid and other grants	74,296,207	3,150,292	288,785,580	16,141,681	2,487,723	384,861,483
Other revenues	12,570,954	182,466	1,021,225	-	65,155	13,839,800
Total revenues	202,173,293	4,029,556	350,773,611	16,141,681	6,880,294	579,998,435
EXPENDITURES:						
Current:						
General government support	21,689,678	-	43,977,602	917,154	839,980	67,424,414
Public safety	108,886,724	-	-	-	2,429,454	111,316,178
Transportation	20,424,445	-	-	-	2,050,898	22,475,343
Economic opportunity and development	60,106	-	-	2,033,649	-	2,093,755
Home and community services	9,882,437	-	2,268,806	13,190,878	43,553	25,385,674
Culture and recreation	8,579,023	-	-	-	155,825	8,734,848
Education	-	-	292,852,171	-	-	292,852,171
Debt service	-	-	-	-	22,637,451	22,637,451
Interest on debt	1,213,189	-	2,126,561	-	10,587,067	13,926,817
Capital outlays	-	23,504,079	-	-	-	23,504,079
Total expenditures	170,735,602	23,504,079	341,225,140	16,141,681	38,744,228	590,350,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,437,691	(19,474,523)	9,548,471	-	(31,863,934)	(10,352,295)
OTHER FINANCING SOURCES (USES):						
Bond proceeds	-	18,997,000	-	-	-	18,997,000
Operating transfers in	2,000,000	1,628,120	4,361,272	-	33,426,232	41,415,624
Operating transfers out	(18,149,155)	(2,431,966)	(18,110,526)	-	(148,063)	(38,839,710)
Total other financing sources (uses) - net	(16,149,155)	18,193,154	(13,749,254)	-	33,278,169	21,572,914
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	15,288,536	(1,281,369)	(4,200,783)	-	1,414,235	11,220,619
FUND BALANCES AT BEGINNING OF YEAR	31,861,632	22,448,734	18,575,274	-	9,325,751	82,211,391
FUND BALANCES AT END OF YEAR	$ 47,150,168	$ 21,167,365	$ 14,374,491	$ -	$ 10,739,986	$ 93,432,010

See Accompanying Independent Auditor's Report and Notesw 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, 2007

Net change in fund balances - total governmental funds		$ 11,220,619
The change in net assets reported for governmental activities in the Statement of Activities is different because:		
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.		(4,430,279)
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.		
Debt issued:		
Bonds payable	(18,997,000)	
Repayments:		
Bond principal	22,637,451	
		3,640,451
Revenue received more than 60 days after year end.		(1,090,726)
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.		(11,917,824)
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.		(52,370)
Revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.		516,259
Net change in net assets of governmental activities		$ (2,113,870)

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

CITY OF SYRACUSE, NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities					
	Enterprise Funds					
	Aviation	Water	Sewer	Total City	City School District-Food Service	Total
ASSETS:						
Current:						
Pooled cash and cash equivalents	$ -	$ 762,280	$ 2,566,156	$ 3,328,436	$ -	$ 3,328,436
Cash and cash equivalents	18,883,137	-	-	18,883,137	-	18,883,137
Accounts receivable	3,097,251	3,356,634	782,207	7,236,092	-	7,236,092
Due from other governments	2,365,828	-	-	2,365,828	479,231	2,845,059
Due from other funds	75,417	-	-	75,417	-	75,417
Inventories	-	-	-	-	263,359	263,359
Prepaid expenses and other	305,393	-	-	305,393	24,883	330,276
Total current assets	24,727,026	4,118,914	3,348,363	32,194,303	767,473	32,961,776
Noncurrent:						
Pooled restricted cash and cash equivalents	-	3,381,862	1,011,314	4,393,176	-	4,393,176
Restricted cash and cash equivalents	18,320,193	759,476	-	19,079,669	-	19,079,669
Deferred charges	1,157,065	37,632	17,767	1,212,464	-	1,212,464
Due from other funds	575,250	-	-	575,250	-	575,250
Capital assets (net)	113,762,881	30,949,720	11,840,042	156,552,643	292,519	156,845,162
Total noncurrent assets	133,815,389	35,128,690	12,869,123	181,813,202	292,519	182,105,721
TOTAL ASSETS	$ 158,542,415	$ 39,247,604	16,217,486	$ 214,007,505	$ 1,059,992	$ 215,067,497
LIABILITIES:						
Current:						
Accounts payable and accrued expenses	$ 6,034,625	$ 1,959,894	$ 725,741	$ 8,720,260	$ 478,534	$ 9,198,794
Bond anticipation notes payable	1,628,000	-	-	1,628,000	-	1,628,000
Capital lease obligation	34,870	-	-	34,870	-	34,870
Accrued interest	1,021,360	168,375	61,956	1,251,691	-	1,251,691
Due to other funds	2,594,955	-	-	2,594,955	29,605	2,624,560
Due to component unit	16,261	60,909	-	77,170	-	77,170
Current portion of bonds payable	3,234,418	1,671,687	522,120	5,428,225	-	5,428,225
Amounts due to retirement systems	186,354	108,458	40,190	335,002	13,922	348,924
Accrued compensated absences	199,926	23,720	15,325	238,971	124,401	363,372
Self-insurance claims	134,337	295,502	165,761	595,600	377,836	973,436
Deferred revenue	60,500	41,021	-	101,521	-	101,521
Other liabilities	-	-	-	-	-	-
Total current liabilities	15,145,606	4,329,566	1,531,093	21,006,265	1,024,298	22,030,563
Noncurrent:						
Bonds - net of current portion	26,419,165	21,840,275	7,623,442	55,882,882	-	55,882,882
Capital lease obligation - net of current portion	302,629	-	-	302,629	-	302,629
Accrued interest	315,414	-	-	315,414	-	315,414
Amounts due to retirement systems	214,107	-	-	214,107	-	214,107
Accrued compensated absences	-	278,026	100,203	378,229	-	378,229
Self-insurance claims	202,932	473,896	273,428	950,256	-	950,256
Deferred revenue	575,252	-	-	575,252	-	575,252
Total noncurrent liabilities	28,029,499	22,592,197	7,997,073	58,618,769	-	58,618,769
Total liabilites	43,175,105	26,921,763	9,528,166	79,625,034	1,024,298	80,649,332
NET ASSETS:						
Invested in capital assets, net of related debt	83,976,113	11,284,236	4,589,008	99,849,357	292,519	100,141,876
Unrestricted:						
Designated	-	1,000,000	-	1,000,000	-	1,000,000
Undesignated	31,391,197	41,605	2,100,312	33,533,114	(256,825)	33,276,289
Total net assets	115,367,310	12,325,841	6,689,320	134,382,471	35,694	134,418,165
TOTAL LIABILITIES AND NET ASSETS	$ 158,542,415	$ 39,247,604	$ 16,217,486	$ 214,007,505	$ 1,059,992	$ 215,067,497

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, 2007

	Business-type Activities - Enterprise Funds					
	Aviation	Water	Sewer	Total City	City School District - Food Service	Total
OPERATING REVENUES:						
Charges for services	$ -	$ 16,203,809	$ 4,438,803	$ 20,642,612	$ 727,694	$ 21,370,306
Federal and state sources	-	-	-	-	7,164,325	7,164,325
Landing fees	4,726,155	-	-	4,726,155	-	4,726,155
Parking rents	6,561,666	-	-	6,561,666	-	6,561,666
Terminal rents	9,043,743	-	-	9,043,743	-	9,043,743
Concession	6,231,887	-	-	6,231,887	-	6,231,887
Fees and permits	-	331,590	-	331,590	-	331,590
Miscellaneous	11,968	192,006	9,754	213,728	-	213,728
Total operating revenues	26,575,419	16,727,405	4,448,557	47,751,381	7,892,019	55,643,400
OPERATING EXPENSES:						
Cost of sales and services	9,184,437	11,814,576	3,708,472	24,707,485	3,631,035	28,338,520
Administration	11,266,224	439,821	13,798	11,719,843	4,829,627	16,549,470
Depreciation	10,295,387	792,946	529,048	11,617,381	71,387	11,688,768
Uncollectible accounts	-	33,523	-	33,523	-	33,523
Total operating expenses	30,746,048	13,080,866	4,251,318	48,078,232	8,532,049	56,610,281
NET OPERATING INCOME (LOSS)	(4,170,629)	3,646,539	197,239	(326,851)	(640,030)	(966,881)
NONOPERATING REVENUES (EXPENSES):						
Sales tax	-	50,000	-	50,000	-	50,000
Grants received	9,005,826	858,105	803,704	10,667,635	-	10,667,635
Grant programs	(9,005,826)	-	-	(9,005,826)	-	(9,005,826)
Passenger facility charges	4,093,345	-	-	4,093,345	-	4,093,345
Donated commodities	-	-	-	-	501,591	501,591
Investment income	1,441,688	151,303	197,545	1,790,536	399	1,790,935
Interest expense	(1,700,322)	(288,735)	(152,075)	(2,141,132)	-	(2,141,132)
Total nonoperating revenues (expenses)	3,834,711	770,673	849,174	5,454,558	501,990	5,956,548
NET INCOME BEFORE CONTRIBUTIONS AND OPERATING TRANSFERS	(335,918)	4,417,212	1,046,413	5,127,707	(138,040)	4,989,667
CAPITAL CONTRIBUTIONS	12,595,041	-	-	12,595,041	-	12,595,041
OPERATING TRANSFERS OUT	-	(1,800,000)	(200,000)	(2,000,000)	(575,914)	(2,575,914)
CHANGE IN NET ASSETS	12,259,123	2,617,212	846,413	15,722,748	(713,954)	15,008,794
NET ASSETS AT BEGINNING OF YEAR (AS RESTATED FOR CITY SCHOOL DISTRICT - FOOD SERVICE FUND)	103,108,187	9,708,629	5,842,907	118,659,723	749,648	119,409,371
NET ASSETS AT END OF YEAR	$ 115,367,310	$ 12,325,841	$ 6,689,320	$ 134,382,471	$ 35,694	$ 134,418,165

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, 2007

	Business-type Activities					
	Enterprise Funds					
	Aviation	Water	Sewer	Total - City	City School District - Food Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	$ 26,082,309	$ 15,976,778	$ 4,423,527	$ 46,482,614	$ 338,650	$ 46,821,264
Receipts from federal and state sources	-	-	-	-	7,600,801	7,600,801
Payments to vendors	(13,653,760)	(5,440,089)	(1,941,595)	(21,035,444)	(3,029,730)	(24,065,174)
Payments to employees	(4,454,415)	(4,796,502)	(1,935,254)	(11,186,171)	(4,631,954)	(15,818,125)
Internal activity-receipts and (payments) with other funds - net	1,737,477	-	-	1,737,477	-	1,737,477
Claims paid	(991,992)	(1,587,660)	(630,741)	(3,210,393)	-	(3,210,393)
Other receipts (payments)	-	192,006	9,754	201,760	-	201,760
Net cash provided by (utilized in) operating activities	8,719,619	4,344,533	(74,309)	12,989,843	277,767	13,267,610
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating subsidies and transfers to other funds	-	(1,800,000)	(200,000)	(2,000,000)	(278,120)	(2,278,120)
Payments (to) from other governments	-	858,105	3,572,386	4,430,491	(46)	4,430,445
Net cash provided by (utilized in) noncapital financing activities	-	(941,895)	3,372,386	2,430,491	(278,166)	2,152,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from capital debt	1,628,000	326,000	-	1,954,000	-	1,954,000
Capital contributions	12,935,504	-	-	12,935,504	-	12,935,504
Purchases of capital assets	(15,585,625)	(7,053,363)	(3,707,671)	(26,346,659)	-	(26,346,659)
Principal paid on capital debt	(5,199,212)	(1,366,758)	(476,704)	(7,042,674)	-	(7,042,674)
Interest paid on capital debt	(2,020,700)	(289,906)	(157,823)	(2,468,429)	-	(2,468,429)
Other receipts	4,142,837	50,000	-	4,192,837	-	4,192,837
Net cash utilized in capital and related financing activities	(4,099,196)	(8,334,027)	(4,342,198)	(16,775,421)	-	(16,775,421)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and dividends received/						
Net cash provided by investing activities	1,441,688	151,303	197,545	1,790,536	399	1,790,935
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,062,111	(4,780,086)	(846,576)	435,449	-	435,449
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	31,141,219	9,683,704	4,424,046	45,248,969	-	45,248,969
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 37,203,330	$ 4,903,618	$ 3,577,470	$ 45,684,418	$ -	$ 45,684,418
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ (4,170,629)	$ 3,646,539	$ 197,239	$ (326,851)	$ (640,030)	$ (966,881)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	10,295,387	792,946	529,048	11,617,381	71,387	11,688,768
Uncollectible accounts	-	33,523	-	33,523	-	33,523
Change in assets and liabilities:						
Accounts receivable	(432,611)	(159,814)	(15,275)	(607,700)	-	(607,700)
Deferred charges	142,727	1,014	1,146	144,887	-	144,887
Due to other funds	1,737,477	60,909	-	1,798,386	29,605	1,827,991
Due to component units	-	(24,627)	-	(24,627)	-	(24,627)
Due from other governments	-	11,263	-	11,263	47,432	58,695
Inventories	-	-	-	-	418,584	418,584
Prepaid expenses	2,382	-	-	2,382	-	2,382
Accounts payable and accrued expenses	1,082,945	213,032	(965,924)	330,053	152,396	482,449
Amounts due to retirement systems	50,486	(13,954)	(4,852)	31,680	201	31,881
Self-insurance claims	71,954	198,101	188,837	458,892	174,486	633,378
Accrued compensated absences	-	(4,329)	(4,528)	(8,857)	23,706	14,849
Deferred revenue	(60,499)	(410,070)	-	(470,569)	-	(470,569)
Net cash provided by (utilized in) operating activities	$ 8,719,619	$ 4,344,533	$ (74,309)	$ 12,989,843	$ 277,767	$ 13,267,610

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, 2007

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended June 30, 2007 the Aviation Fund incurred accretion of $394,594 (included in interest expense) on capital appreciation bonds which are included in bonds payable.

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

	Unrestricted	Restricted	Total
Beginning 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 beginning of year	$ 18,600,341	$ 26,648,628	$ 45,248,969
End of Year:			
Aviation Fund	$ 18,883,137	$ 18,320,193	$ 37,203,330
Water Fund	762,280	4,141,338	4,903,618
Sewer Fund	2,566,156	1,011,314	3,577,470
Total end of year	$ 22,211,573	$ 23,472,845	$ 45,684,418

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, 2007

	City						
	Pension Trust Funds		Private Purpose Funds				
	Local Fire Pension Fund	Local Police Pension Fund	Coca Cola & Mayor's Round Ball	Agency Funds	Total City	Combined City School District	Total
ASSETS:							
Pooled cash and cash equivalents	$ -	$ -	$ -	$ 570,716	$ 570,716	$ -	$ 570,716
Pooled restricted cash and cash equivalents	28,782	181,737	25,518	36,765,655	37,001,692	-	37,001,692
Restricted cash	-	-	-	-	-	1,641,292	1,641,292
Taxes receivable	-	-	-	47,552,378	47,552,378	-	47,552,378
Other assets	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	44,531	44,531
TOTAL ASSETS	28,782	181,737	25,518	84,888,749	85,124,786	1,685,823	86,810,609
LIABILITIES:							
Accounts payable and accrued expenditures	-	-	877	524	1,401	-	1,401
Due to other funds	-	-	-	35,079,188	35,079,188	1,000	35,080,188
Due to other governments	-	-	-	1,375,923	1,375,923	-	1,375,923
Deferred revenue	-	-	-	47,552,378	47,552,378	-	47,552,378
Other liabilities	-	-	-	880,736	880,736	1,561,129	2,441,865
TOTAL LIABILITIES	-	-	877	84,888,749	84,889,626	1,562,129	86,451,755
NET ASSETS:							
Held in trust	$ 28,782	$ 181,737	$ 24,641	$ -	$ 235,160	$ 123,694	$ 358,854

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, 2007

	Pension Trust Funds		Private Purpose Funds		Combined	
	Local Fire Pension Fund	Local Police Pension Fund	Coca Cola & Mayor's Round Ball	Total City	City School District	Total
ADDITIONS:						
Contributions	$ -	$ -	$ 17,395	$ 17,395	$ 14,178	$ 31,573
Local sources and other	321,621	141,533	-	463,154	16,489	479,643
Total additions	321,621	141,533	17,395	480,549	30,667	511,216
DEDUCTIONS:						
Payments to pensioners	321,621	12,184	-	333,805	-	333,805
Scholarships and awards	-	-	-	-	5,735	5,735
Other expenses	-	-	5,527	5,527	-	5,527
Total deductions	321,621	12,184	5,527	339,332	5,735	345,067
CHANGE IN NET ASSETS	-	129,349	11,868	141,217	24,932	166,149
NET ASSETS AT BEGINNING OF YEAR	28,782	52,388	12,773	93,943	98,762	192,705
NET ASSETS AT END OF YEAR	$ 28,782	$ 181,737	$ 24,641	$ 235,160	$ 123,694	$ 358,854

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, 2007

	Syracuse Industrial Development Agency	Syracuse Economic Development Corporation	Syracuse Urban Renewal Agency	Total
ASSETS:				
Cash and cash equivalents	$ 12,404,344	$ 2,776,455	$ 260,597	$ 15,441,396
Other receivables	857,906	30,954	-	888,860
Loans receivable-current portion	2,572,906	381,390	-	2,954,296
Interest receivable	283,655	4,773	-	288,428
Due from other governments	-	-	22,357	22,357
Due from primary government	-	-	417,456	417,456
Due from other component units	-	-	33,980	33,980
Other assets	727,159	-	-	727,159
Loans receivable - long-term portion	8,755,708	2,147,251	-	10,902,959
Capital assets:				
Nondepreciable	50,000	770,145	56,964	877,109
Depreciable, net	1,351,354	17,151,572	13,345	18,516,271
TOTAL ASSETS	$ 27,003,032	$ 23,262,540	$ 804,699	$ 51,070,271
LIABILITIES:				
Accounts payable and accrued expenses	$ 735,346	$ 249,600	$ -	$ 984,946
Accrued interest expense	376,652	323,426	-	700,078
Due to other governments	-	-	9,749	9,749
Due to primary government	419,448	254,437	449,109	1,122,994
Non-current liabilities:				
Due within one year	1,488,000	4,740,506	-	6,228,506
Due within more than one year	15,210,000	10,492,489	-	25,702,489
Due to primary government - long-term portion	1,763,787	3,691,224	-	5,455,011
Total liabilities	19,993,233	19,751,682	458,858	40,203,773
NET ASSETS:				
Invested in capital assets	(347,427)	2,688,722	70,309	2,411,604
Restricted for loan programs	290,277	674,018	-	964,295
Unrestricted	7,066,949	148,118	275,532	7,490,599
Total net assets	7,009,799	3,510,858	345,841	10,866,498
TOTAL LIABILITIES AND NET ASSETS	$ 27,003,032	$ 23,262,540	$ 804,699	$ 51,070,271

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

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2007

	Syracuse Industrial Development Agency	Syracuse Economic Development Corporation	Syracuse Urban Renewal Agency	Total
EXPENSES:				
Economic Development	$ 519,825	$ 381,689	$ 17,127	$ 918,641
Development projects	303,491	-	-	303,491
Loan programs	4,023,277	-	-	4,023,277
Parking garage	253,287	-	-	253,287
Rental of real property	-	2,628,260	-	2,628,260
Total expenses	$ 5,099,880	$ 3,009,949	$ 17,127	$ 8,126,956
PROGRAM REVENUE:				
Charges for services	$ 1,126,048	$ 1,500,714	$ -	$ 2,626,762
Operating grants	1,244,000	-	-	1,244,000
Total program revenue	2,370,048	1,500,714	-	3,870,762
NET PROGRAM REVENUE	(2,729,832)	(1,509,235)	(17,127)	(4,256,194)
GENERAL REVENUE:				
Property taxes	457,787	372,133	-	829,920
Investment earnings	509,256	110,131	382	619,769
Miscellaneous	85,434	76,900	-	162,334
Total general revenue	1,052,477	559,164	382	1,612,023
CHANGES IN NET ASSETS	(1,677,355)	(950,071)	(16,745)	(2,644,171)
NET ASSETS AT BEGINNING OF YEAR	8,687,154	4,460,929	362,586	13,510,669
NET ASSETS AT END OF YEAR	$ 7,009,799	$ 3,510,858	$ 345,841	$ 10,866,498

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

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 141,000 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 polices 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

(Continued)

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.

(Continued)

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.

(Continued)

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 10th, 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, 2007 amounted to $893,927.

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

(Continued)

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 $3,824,361 at June 30, 2007 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, 2007, 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, 2007 were $16,211,704 and $5,930,413, 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 35% of the agreements are expired and are in negotiations and 50% expire in one year or less. The remaining 15% 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 2006/2007 City School District budget specifically designates the use of $10,344,089 for future years use and technology. The City's 2006/2007 budget specifically designates $5,748,907 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 $167,022,056 and the bank balance was $171,523,002. As of June 30, 2007 all deposits were insured or collateralized.

(Continued)

3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Governmental activities:				
Not being depreciated:				
Land	$ 16,190,934	$ -	$ -	$ 16,190,934
Construction in progress	116,776,109	20,923,232	58,269,882	79,429,459
Subtotal	132,967,043	20,923,232	58,269,882	95,620,393
Other capital assets:				
Buildings	299,533,463	21,891,494	-	321,424,957
Machinery and equipment	83,839,242	9,188,456	4,421,773	88,605,925
Improvements/infrastructure	271,263,196	30,306,006	-	301,569,202
Subtotal	654,635,901	61,385,956	4,421,773	711,600,084
Total capital assets	787,602,944	82,309,188	62,691,655	807,220,477
Accumulated depreciation:				
Buildings	215,753,042	9,229,846	-	224,982,888
Machinery and equipment	51,783,284	7,231,314	4,309,529	54,705,069
Improvements/infrastructure	153,826,428	11,466,153	-	165,292,581
Total	421,362,754	27,927,313	4,309,529	444,980,538
Net capital assets - governmental activities	$366,240,190	$54,381,875	$ 58,382,126	$362,239,939

Depreciation was charged to activities as follows:

Governmental activities:

General government support	$ 1,818,580
Police department	986,143
Fire department	1,607,366
Other public safety	1,683
Transportation	12,951,016
Culture and recreation	1,456,439
Home and community services	449,203
Education	8,656,883
Total governmental activities depreciation expense	$ 27,927,313

(Continued)

3. CAPITAL ASSETS AND DEPRECIATION (CONT'D)

	Restated Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Business-type activities:				
Not being depreciated:				
Land	$ 2,337,443	$ 718,072	$ -	$ 3,055,515
Construction in progress	15,272,450	37,069,183	34,900,412	17,441,221
Subtotal	17,609,893	37,787,255	34,900,412	20,496,736
Other capital assets:				
Buildings	104,760,387	99,032	-	104,859,419
Machinery and equipment	22,436,549	1,621,846	289,948	23,768,447
Improvements/infrastructure	144,203,654	22,047,430	-	166,251,084
Subtotal	271,400,590	23,768,308	289,948	294,878,950
Total capital assets	289,010,483	61,555,563	35,190,360	315,375,686
Accumulated depreciation:				
Buildings	65,883,384	4,104,058	-	69,987,442
Machinery and equipment	15,988,363	1,806,663	289,948	17,505,078
Improvements/infrastructure	65,259,957	5,778,047	-	71,038,004
Total	147,131,704	11,688,768	289,948	158,530,524
Net capital assets - business-type activities	$141,878,779	$49,866,795	$34,900,412	$156,845,162

Depreciation was charged to activities as follows:

Business-type activities:	
Aviation	$ 10,295,387
Water	792,946
Sewer	529,048
Food Service	71,387
Total business-type activities depreciation expense	$ 11,688,768

(Continued)

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 2030.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007:

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount due within one year
Governmental activities:					
Bonds notes and capital lease obligations					
General obligation bonds payable	$ 247,279,835	$ 18,997,000	$ 22,529,595	$ 243,747,240	$ 23,178,078
Bond anticipation notes payable	6,650,000	-	6,650,000	-	-
Revenue anticipation notes payable	14,400,000	84,000,000	64,400,000	34,000,000	34,000,000
Tax anticipation notes payable	3,300,000	-	3,300,000	-	-
Capital lease obligations	579,528	-	347,254	232,274	113,284
Total bonds, notes payable and capital lease obligations	272,209,363	102,997,000	97,226,849	277,979,514	57,291,362
Other liabilities:					
Amount due to retirement systems	22,171,683	35,792,895	29,843,848	28,120,730	21,528,545
Accrued compensated absences	16,616,335	13,428,139	11,867,306	18,177,168	7,761,335
Self-insurance claims	18,167,520	95,006,254	84,445,545	28,728,229	14,494,204
Judgments and claims	3,000,000	381,081	381,081	3,000,000	-
Environmental remediation	11,008,339	719,394	-	11,727,733	-
Lottery aid payable	23,833,333	-	816,666	23,016,667	816,667
Total other liabilities	94,797,210	145,327,763	127,354,446	112,770,527	44,600,751
Governmental activities long-term liabilities	$ 367,006,573	$ 248,324,763	$ 224,581,295	$ 390,750,041	$ 101,892,113

(Continued)

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, 2006	Additions	Reductions	Balance at June 30, 2007	Amount due within one year
Business-type activities:					
Bonds and note payable:					
General obligation bonds payable	$ 65,959,366	$ 326,000	$ 4,974,259	$ 61,311,107	$ 5,428,225
Bond anticipation notes payable	2,035,000	1,628,000	2,035,000	1,628,000	1,628,000
Capital lease obligation	370,914	-	33,415	337,499	34,870
Total bonds and notes payable	68,365,280	1,954,000	7,042,674	63,276,606	7,091,095
Other liabilities:					
Amount due to retirement systems	531,149	1,446,600	1,414,718	563,031	348,924
Accrued compensated absences	725,837	693,195	677,431	741,601	363,372
Self-insurance claims	1,290,315	4,157,529	3,524,152	1,923,692	973,436
Total other liabilities	2,547,301	6,297,324	5,616,301	3,228,324	1,685,732
Business-type activities long term liabilities	$ 70,912,581	$ 8,251,324	$ 12,658,975	$ 66,504,930	$ 8,776,827

(Continued)

4. CAPITAL INDEBTEDNESS (CONT'D)

Summary of Debt Service on Bonds to Maturity

As of June 30, 2007, 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		
	Principal	Interest	Principal	Interest	Total
2008	$ 23,178,078	$ 10,129,752	$ 5,428,225	$ 2,695,239	$ 41,431,294
2009	24,008,538	9,145,058	6,205,021	2,458,629	41,817,246
2010	23,179,521	8,141,786	6,000,466	2,217,052	39,538,825
2011	21,953,726	7,199,822	5,176,278	1,971,595	36,301,421
2012	19,013,214	6,301,901	5,221,786	1,746,637	32,283,538
2013-2017	76,967,540	20,183,860	22,482,459	5,349,987	124,983,846
2018-2022	37,254,731	7,671,148	7,172,269	1,803,933	53,902,081
2023-2027	16,366,664	2,061,153	3,624,603	518,858	22,571,278
2028-2030	1,825,228	119,531	-	-	1,944,759
TOTALS	$ 243,747,240	$ 70,954,011	$ 61,311,107	$ 18,761,930	$ 394,774,288

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)

4. CAPITAL INDEBTEDNESS (CONT'D)

Short-term Debt (Cont'd)

Short-term debt activity for the year ended June 30, 2007:

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
Governmental Activities:				
Bond anticipation notes	$ 6,650,000	$ -	$ 6,650,000	$ -
Revenue anticipation notes	14,400,000	84,000,000	64,400,000	34,000,000
Tax anticipation notes	3,300,000	-	3,300,000	-
	$ 24,350,000	$ 84,000,000	$ 74,350,000	$ 34,000,000

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
Business-type Activities:				
Bond anticipation notes	$ 2,035,000	$ 1,628,000	$ 2,035,000	$ 1,628,000

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, 2007 under non-cancelable operating leases were as follows:

YEAR ENDING JUNE 30,	AMOUNT
2008	$ 1,831,470
2009	1,075,519
2010	933,416
2011	916,946
2012	657,828
Thereafter	11,662,792
TOTAL	$ 17,077,971

(Continued)

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, 2007 were approximately $1,350,000. The minimum future non-cancelable operating lease payments were as follows as of June 30, 2007:

YEAR ENDING JUNE 30,	AMOUNT
2008	$ 1,419,707
2009	1,094,584
2010	1,007,453
2011	801,817
2012	441,761
TOTAL	$ 4,765,322

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, 2007 were approximately $1,427,000. Future minimum lease payments for these non-cancelable operating leases were as follows as of June 30, 2007:

YEAR ENDING JUNE 30,	AMOUNT
2008	$ 1,429,342
2009	1,554,327
2010	1,513,042
2011	1,548,317
2012	1,515,960
Thereafter	12,094,529
TOTAL	$ 19,655,517

(Continued)

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 $59,619,000 with accumulated depreciation of $44,909,000 and are included in the transportation activity. Future minimum lease payments due to the City as of June 30, 2007 under non-cancelable operating leases were as follows:

YEAR ENDING JUNE 30,	AMOUNT
2008	$ 1,480,369
2009	1,453,837
2010	1,334,638
2011	1,338,131
2012	1,360,936
Thereafter	10,703,642
TOTAL	$ 17,671,553

7. CAPITAL LEASE OBLIGATIONS

The 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 activity of $398,241 with accumulated depreciation of $132,747. The related obligations are accounted for as liabilities in the Statement of Net Assets. Payments are expenditures of the 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, 2007.

	Governmental Activities	Business -Type Activities
Year ending June 30,		
2008	$ 124,981	$ 48,600
2009	124,980	48,600
2010	-	48,600
2011	-	48,600
2012	-	48,600
Thereafter	-	153,900
Minimum lease payments - capital leases	249,961	396,900
Less: Amounts representing interest 8.5% per annum	17,687	59,401
Present value - minimum lease payments	$ 232,274	$ 337,499

(Continued)

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, 2007:

	AMOUNT RECEIVABLE	AMOUNT PAYABLE
General Fund	$ 4,138,791	$ 6,961
City School District	24,150,975	-
Community Development	6,961	95,545
Capital Projects Fund	6,225,905	635,750
Proprietary Funds:		
Aviation	650,667	2,594,955
Food Service	-	29,605
Nonmajor governmental funds:		
Debt Service	4,211,734	-
Special Grants	-	981,067
Miscellaneous Trusts	-	5,493
Agency	44,531	35,080,188
Total	$ 39,429,564	$ 39,429,564

The following schedule summarizes receivables and payables between the primary government and the component units at June 30, 2007:

	AMOUNT RECEIVABLE	AMOUNT PAYABLE
General Fund	$ 3,866,832	$ -
City School District	-	23,400
Community Development	451,033	-
Proprietary Funds:		
Water Fund	-	60,909
Aviation	-	16,261
Nonmajor governmental fund:		
Local Development	1,765,928	-
Component units:		
SURA	417,456	449,109
SIDA	-	2,147,750
SEDCO	-	3,803,820
Total	$ 6,501,249	$ 6,501,249

(Continued)

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

Receivables and Payables (Cont'd)

The amounts receivable and payable above are as of June 30, 2007. The amounts due to and due from the primary government in the basic financial statement for SIDA and SEDCO are as of December 31, 2006. 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, 2007, which were routine in nature, were as follows:

	Transfers In	Transfers Out
General Fund	$ 2,000,000	$ 18,149,155
Capital Projects Fund	1,628,120	2,431,966
Special revenue funds:		
City School District	4,361,272	18,110,526
Oil and Flushing	-	148,063
Debt Service Fund	33,426,232	-
Proprietary funds:		
Water	-	1,800,000
Sewer	-	200,000
Food Service	-	575,914
Total	$ 41,415,624	$ 41,415,624

(Continued)

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:

	TRS	ERS	PFRS
June 30, 2007	$ 16,683,713	$ 7,074,340	$ 7,848,021
June 30, 2006	14,173,919	6,701,245	10,954,316
June 30, 2005	11,240,220	7,854,395	11,455,674

(Continued)

9. RETIREMENT BENEFITS (CONT'D)

Local Pension Funds

The City maintains a Police Pension Fund for those employees who did not elect to join the State System in 1923. The City last accepted new members in 1934. The plan is non-contributory on the part of employees. Local pension costs are recognized as paid. For the year ended June 30, 2007, $7,311 was paid by the City's Fiduciary Pension Trust Fund. On June 30, 2007, there was one widow receiving payments under the plan. 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 substantially all costs except $15 per month per retiree ($30 per month for retiree and spouse) who are not Medicare eligible 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, 2007, approximately 1,650 City retirees and survivors were eligible. Expenditures for retiree health costs are expensed when paid. Expenditures for the year ended June 30, 2007, net of retiree and survivor contributions of $324,000, were approximately $14,709,000.

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. At June 30, 2007, approximately 1,900 retirees met these requirements. Employees at least five years but less than ten years of employment, are required to pay the full premium until the ten year anniversary is met. 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, 2007, net of retiree contributions of $873,545 were approximately $12,900,000.

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, 2007, the District recorded a long-term liability of $11,727,733 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, 2007.

The City and the District entered into an agreement April 1, 2004 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 (the "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 for a total cost of up to $225 million. The Act authorizes new and innovative ways to renovate the buildings and authorizes financing techniques to accomplish the plan. The Act also allows the JSCB to enter into contracts for School projects on behalf of the City and District.

A plan identifying projects has been prepared for JSCB consideration. On November 15, 2007, the JSCB adopted a financial plan that authorized $180 million to complete the proposed Phase 1 Projects. The financial plan was transmitted to the State Comptroller for review on November 16, 2007. The State Comptroller approved the plan on January 25, 2008. 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. The JSCB expects to utilize the Syracuse Industrial Development Agency (SIDA) as the conduit issuer of financing for Phase 1 Projects.

13. SUBSEQUENT EVENTS

On September 12, 2007 the City issued $55,000,000 in School District Revenue Anticipation Notes (RANS) to cover an expected cash flow shortage due to the timing of cash receipts from various sources.

On October 12, 2007 the City obtained $4,172,811 in financing from the New York State Environmental Facilities Corporation. The funds will be used to finance projects in the water fund.

On October 25, 2007 the City issued $1,221,000 in Airport Bond Anticipation Notes (BANS) and $20,000,000 in City general fund Revenue Anticipation Notes (RANS). The RANS were issued to cover an expected cash flow shortage due to timing of cash receipts from various sources.

14. RESTATEMENT

The net assets at July 1, 2006 of the School District's governmental activities in the government-wide financial statements has been decreased $801,607 to reflect the correct treatment of expenditures relating to construction-in-process during the year ended June 30, 2006.

(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, 2007

	General Fund				Special Revenue Fund - City School District			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
General property taxes and tax items	$ 28,021,750	$ 28,021,750	$ 32,137,720	$ 4,115,970	$ 54,147,720	$ 54,147,720	$ 54,138,284	$ (9,436)
Sales tax and use taxes	62,805,967	62,805,967	63,387,401	581,434	4,117,262	4,117,262	4,346,098	228,836
Other local taxes	3,831,949	3,831,949	3,742,428	(89,521)	-	-	-	-
Departmental revenues	9,555,640	9,555,640	9,246,278	(309,362)	-	-	-	-
Intergovernmental charges	396,626	396,626	350,759	(45,867)	-	-	-	-
Licenses and permits	1,635,173	1,635,173	2,043,113	407,940	-	-	-	-
Fines and fortfeitures	2,342,832	2,342,832	2,174,528	(168,304)	-	-	-	-
Sale of property and compensation for loss	478,350	478,350	488,570	10,220	3,600	3,600	23,391	19,791
Use of money and property	784,461	784,461	1,735,335	950,874	1,081,000	1,081,000	2,459,033	1,378,033
Federal and state aid and other grants	74,031,259	74,031,259	74,296,207	264,948	307,615,398	309,929,379	288,785,580	(21,143,799)
Other revenues	1,122,361	1,622,361	12,570,954	10,948,593	492,650	492,650	1,021,225	528,575
Total revenues	185,006,368	185,506,368	202,173,293	16,666,925	367,457,630	369,771,611	350,773,611	(18,998,000)
EXPENDITURES:								
Current:								
General government support	22,447,954	22,773,420	21,707,458	1,065,962	43,184,704	44,301,240	43,270,042	1,031,198
Public safety	116,384,164	116,836,296	108,901,251	7,935,045	-	-	-	-
Transportation	20,242,007	20,246,003	20,416,283	(170,280)	-	-	-	-
Economic opportunity and development	64,734	64,734	60,105	4,629	-	-	-	-
Home and community services	11,031,239	10,635,989	9,880,812	755,177	2,749,727	2,933,630	2,268,806	664,824
Culture and recreation	9,419,444	9,322,202	8,586,703	735,499	-	-	-	-
Education	-	-	-	-	307,082,206	309,335,567	292,595,474	16,740,093
Interest on debt	1,300,000	1,225,000	1,213,189	11,811	1,513,089	1,513,089	2,126,561	(613,472)
Total expenditures	180,889,542	181,103,644	170,765,801	10,337,843	354,529,726	358,083,526	340,260,883	17,822,643
EXCESS OF REVENUES OVER EXPENDITURES	4,116,826	4,402,724	31,407,492	27,004,768	12,927,904	11,688,085	10,512,728	(1,175,357)
OTHER FINANCING SOURCES (USES):								
Bond proceeds	3,698,896	3,698,896	-	(3,698,896)	-	-	-	-
Operating transfers in	2,000,000	2,000,000	2,000,000	-	3,735,707	3,735,707	4,361,272	625,565
Operating transfers out	(19,146,520)	(19,496,520)	(18,149,155)	1,347,365	(19,227,674)	(19,220,875)	(18,110,526)	1,110,349
Total other financing uses - net	(13,447,624)	(13,797,624)	(16,149,155)	(2,351,531)	(15,491,967)	(15,485,168)	(13,749,254)	1,735,914
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES	$ (9,330,798)	$ (9,394,900)	15,258,337	$ 24,653,237	$ (2,564,063)	$ (3,797,083)	(3,236,526)	$ 560,557
EFFECT OF ENCUMBRANCES			30,199				(964,257)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			$ 15,288,536				$ (4,200,783)	

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, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
ASSETS:			
Pooled cash and cash equivalents	$ -	$ 4,352,979	$ 4,352,979
Pooled restricted cash and cash equivalents	-	13,961,551	13,961,551
Due from agency funds	6,225,905	-	6,225,905
Due from other governments	-	729,842	729,842
TOTAL ASSETS	$ 6,225,905	$ 19,044,372	$ 25,270,277
LIABILITIES:			
Accounts payable and accrued expenses	$ 1,875,270	$ 1,591,892	$ 3,467,162
Due to other funds	-	635,750	635,750
Total liabilities	1,875,270	2,227,642	4,102,912
FUND BALANCES:			
Reserved for encumbrances	4,188,275	887,660	5,075,935
Reserved for bonded capital projects	-	15,929,070	15,929,070
Reserved for bonded debt	162,360	-	162,360
Total fund balance	4,350,635	16,816,730	21,167,365
TOTAL LIABILITIES AND FUND BALANCES	$ 6,225,905	$ 19,044,372	$ 25,270,277

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, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES:			
Departmental revenues	$ -	$ 4,950	$ 4,950
Use of money and property	-	691,848	691,848
Federal and state aid and other grants	1,608,274	1,542,018	3,150,292
Other revenues	-	182,466	182,466
Total revenues	1,608,274	2,421,282	4,029,556
EXPENDITURES:			
Capital outlays	11,739,793	11,764,286	23,504,079
DEFICIENCY OF REVENUES OVER EXPENDITURES	(10,131,519)	(9,343,004)	(19,474,523)
OTHER FINANCING SOURCES (USES):			
Bond proceeds	9,500,000	9,497,000	18,997,000
Operating transfers in	309,120	1,319,000	1,628,120
Operating transfers out	(80,703)	(2,351,263)	(2,431,966)
Total other financing sources - net	9,728,417	8,464,737	18,193,154
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(403,102)	(878,267)	(1,281,369)
FUND BALANCES AT BEGINNING OF YEAR	4,753,737	17,694,997	22,448,734
FUND BALANCES AT END OF YEAR	$ 4,350,635	$ 16,816,730	$ 21,167,365

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, 2007

	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	$ -	$ -	$ 290,884	$ -	$ 766,323	$ -	$ -	$ 1,057,207
Pooled restricted cash	5,590,394	295,455	-	-	-	448,266	10,000	6,344,115
Restricted cash	-	-	-	-	-	-	16,341	16,341
Accounts receivable	3,824,361	10,013	912	-	-	7,499	-	3,842,785
Taxes receivable (net allowance of $252,205)	-	-	244,369	-	-	-	-	244,369
Due from other funds	4,211,734	-	-	-	-	-	-	4,211,734
Due from other governments	-	1,204,062	-	-	-	-	-	1,204,062
Due from component units (net of allowance of $1,765,928)	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 13,626,489	$ 1,509,530	$ 536,165	$ -	$ 766,323	$ 455,765	$ 26,341	$ 16,920,613
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable and accrued expenses	$ -	$ 239,593	$ -	$ -	$ 597,053	$ 10,538	$ -	$ 847,184
Due to other funds	-	981,067	-	-	-	5,493	-	986,560
Deferred revenues	3,824,361	288,870	233,652	-	-	-	-	4,346,883
Total liabilities	3,824,361	1,509,530	233,652	-	597,053	16,031	-	6,180,627
Fund Balances:								
Reserved for bonded debt	9,802,128	-	-	-	-	-	-	9,802,128
Reserved for trusts and permanent funds	-	-	-	-	-	439,734	26,341	466,075
Unreserved	-	-	302,513	-	169,270	-	-	471,783
Total fund balances	9,802,128	-	302,513	-	169,270	439,734	26,341	10,739,986
TOTAL LIABILITIES AND FUND BALANCES	$ 13,626,489	$ 1,509,530	$ 536,165	$ -	$ 766,323	$ 455,765	$ 26,341	$ 16,920,613

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, 2007

	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	$ -	$ -	$ 844,616	$ -	$ 1,840,046	$ -	$ -	$ 2,684,662
Other local taxes	543,188	-	-	-	-	-	-	543,188
Departmental revenues	-	-	-	-	-	36,103	-	36,103
Fees and service charges	-	-	-	-	-	-	-	-
Use of money and property	1,049,640	-	-	-	-	13,151	672	1,063,463
Federal and state aid and other grants	-	2,394,193	-	-	-	93,530	-	2,487,723
Other revenues	-	4,986	-	-	414	59,755	-	65,155
Total revenues	1,592,828	2,399,179	844,616	-	1,840,460	202,539	672	6,880,294
EXPENDITURES:								
Current:								
General government support	-	21,878	813,863	-	-	4,239	-	839,980
Public safety	-	2,203,538	-	-	-	225,916	-	2,429,454
Transportation	-	9,154	-	-	2,041,744	-	-	2,050,898
Economic opportunity and development	-	-	-	-	-	-	-	-
Home and community services	-	43,553	-	-	-	-	-	43,553
Culture and recreation	-	121,056	-	-	-	34,769	-	155,825
Debt service	22,637,451	-	-	-	-	-	-	22,637,451
Interest on debt	10,587,067	-	-	-	-	-	-	10,587,067
Total expenditures	33,224,518	2,399,179	813,863	-	2,041,744	264,924	-	38,744,228
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,631,690)	-	30,753	-	(201,284)	(62,385)	672	(31,863,934)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	33,426,232	-	-	-	-	-	-	33,426,232
Operating transfers out	-	-	-	-	(148,063)	-	-	(148,063)
Total other financing sources - net	33,426,232	-	-	-	(148,063)	-	-	33,278,169
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	1,794,542	-	30,753	-	(349,347)	(62,385)	672	1,414,235
FUND BALANCES AT BEGINNING OF YEAR	8,007,586	-	271,760	-	518,617	502,119	25,669	9,325,751
FUND BALANCES AT END OF YEAR	$ 9,802,128	$ -	$ 302,513	$ -	$ 169,270	$ 439,734	$ 26,341	$ 10,739,986

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, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
ASSETS:			
Pooled restricted cash and cash equivalents	$ -	$ 5,590,394	$ 5,590,394
Accounts receivable	-	3,824,361	3,824,361
Due from agency funds	4,211,734	-	4,211,734
TOTAL ASSETS	$ 4,211,734	$ 9,414,755	$ 13,626,489
LIABILITIES/Deferred revenues	$ -	$ 3,824,361	$ 3,824,361
FUND BALANCES/Reserved for Bonded Debt	4,211,734	5,590,394	9,802,128
TOTAL LIABILITIES AND FUND BALANCES	$ 4,211,734	$ 9,414,755	$ 13,626,489

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, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES:			
Other local taxes	$ -	$ 543,188	$ 543,188
Use of money and property	575,925	473,715	1,049,640
Total revenues	575,925	1,016,903	1,592,828
EXPENDITURES:			
Debt service	9,627,041	13,010,410	22,637,451
Interest on debt	4,739,008	5,848,059	10,587,067
Total expenditures	14,366,049	18,858,469	33,224,518
DEFICIENCY OF REVENUES OVER EXPENDITURES	(13,790,124)	(17,841,566)	(31,631,690)
OTHER FINANCING SOURCES/ Operating transfers in	14,446,751	18,979,481	33,426,232
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	656,627	1,137,915	1,794,542
FUND BALANCES AT BEGINNING OF YEAR	3,555,107	4,452,479	8,007,586
FUND BALANCES AT END OF YEAR	$ 4,211,734	$ 5,590,394	$ 9,802,128

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, 2007

	Parks 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	$ 55,057	$ -	$ 6,537	$ 249	$ 238,118	$ 148,305	$ -	$ 448,266
Accounts receivable	75	-	-	-	-	-	7,424	7,499
TOTAL ASSETS	$ 55,132	$ -	$ 6,537	$ 249	$ 238,118	$ 148,305	$ 7,424	$ 455,765
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable and accrued expenses	$ 10,125	$ -	$ -	$ -	$ -	$ -	$ 413	$ 10,538
Due to other funds	-	-	-	-	-	-	5,493	5,493
Total Liabilities	10,125	-	-	-	-	-	5,906	16,031
FUND BALANCES/Reserved for trusts	45,007	-	6,537	249	238,118	148,305	1,518	439,734
TOTAL LIABILITIES AND FUND BALANCES	$ 55,132	$ -	$ 6,537	$ 249	$ 238,118	$ 148,305	$ 7,424	$ 455,765

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
MISCELLANEOUS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Parks 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	$ 34,203	$ -	$ 1,900	$ -	$ -	$ -	$ -	$ 36,103
Use of money and property	-	-	-	124	6,675	6,352	-	13,151
Federal and state aid and other grants	-	-	-	-	-	-	93,530	93,530
Other revenues	-	-	-	-	3,058	56,697	-	59,755
Total revenues	34,203	-	1,900	124	9,733	63,049	93,530	202,539
EXPENDITURES:								
Current:								
General government support	-	1,867	2,372	-	-	-	-	4,239
Public safety	-	-	-	-	1,422	126,836	97,658	225,916
Culture and recreation	34,769	-	-	-	-	-	-	34,769
Total expenditures	34,769	1,867	2,372	-	1,422	126,836	97,658	264,924
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(566)	(1,867)	(472)	124	8,311	(63,787)	(4,128)	(62,385)
FUND BALANCES AT BEGINNING OF YEAR	45,573	1,867	7,009	125	229,807	212,092	5,646	502,119
FUND BALANCES AT END OF YEAR	$ 45,007	$ -	$ 6,537	$ 249	$ 238,118	$ 148,305	$ 1,518	$ 439,734

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

CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
ASSETS:			
Pooled restricted cash	$ -	$ 10,000	$ 10,000
Restricted cash	16,341	-	16,341
TOTAL ASSETS	$ 16,341	$ 10,000	$ 26,341
FUND BALANCES/			
Reserved for permanent funds	$ 16,341	$ 10,000	$ 26,341

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, 2007

	CITY SCHOOL DISTRICT	CITY	TOTAL
REVENUES/Use of money and property	$ 672	$ -	$ 672
EXPENDITURES/General government support	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	672	-	672
FUND BALANCES AT BEGINNING OF YEAR	15,669	10,000	25,669
FUND BALANCES AT END OF YEAR	$ 16,341	$ 10,000	$ 26,341

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