

BASIC FINANCIAL STATEMENTS

CITY OF SYRACUSE, NEW YORK

JUNE 30, 2008

CITY OF SYRACUSE, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Syracuse Urban Renewal Agency, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York (the City), as of and for the year ended June 30, 2008, 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 96.2% and 94.7%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Syracuse Industrial Development Agency and Syracuse Economic Development Corporation, is based solely on the reports of the other auditors.

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

(Continued)

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009, on our consideration of the City of Syracuse, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Other Postemployment Benefits-Schedule of Funding Progress on pages 3 through 16 and pages 68 and 69, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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. 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.

A handwritten signature in cursive script, appearing to read "Robert Marshall".

February 26, 2009
Syracuse, New York

CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008.

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 decreased by approximately \$90.1 as a result of this year's operations. Net assets of our governmental activities decreased by \$93.4, while business-type activities increased by approximately \$3.3. This decrease will be discussed in a subsequent section of this document.

During the year, excluding capital contributions of \$5.1, the City had revenues that were \$95.2 less than the \$776.3 in total program expenses. Last year revenues exceeded expenses by \$0.3 before capital contributions of \$12.6.

In the City's business-type activities, revenues (excluding contributions) decreased to \$65.5, a 9.9% decrease from last year's revenues of \$72.7. Expenses for this year decreased to \$66.5, a 1.9% decrease from last year's \$67.8.

In the City's governmental activities, revenues increased to \$615.6 versus last year's revenues of \$579.5, a 6.2% increase. Expenses increased this year (before transfers) to \$709.7 versus last year at \$584.1, a 21.5% increase.

Of the City's total net assets reported at June 30, 2008, \$172.8 was invested in capital assets (net of related debt) versus \$174.8 the previous year. Unrestricted net assets this year were a deficit balance of \$146.6 versus last year's deficit of \$54.7.

The City's general fund reported a surplus for this year of \$15.9, including other financing sources and uses. The resources available for appropriation (revenues and bond proceeds) were approximately \$4.9 more than the revised budget. Expenditures, including transfers out, were approximately \$16.9 under the revised budget. At the end of the current fiscal year, undesignated fund balance of the City's general fund was \$43.6 and 23.1% of total general fund actual expenditures (including transfers out).

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

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. This section illustrates whether the City is better off or worse off as a result of the current 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 allows the user to determine if the City's financial condition has improved or deteriorated in comparison with the previous fiscal year. 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 types 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)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

- 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 pages 27 and 28. *Agency funds* are reported on a full accrual basis and only present a statement of assets and liabilities.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

THE CITY AS A WHOLE

The City's combined net assets decreased from \$261.2 at June 30, 2007 to \$171.2 at June 30, 2008. 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 | | Primary Government | |
|--|----------------------------|-----------------|-----------------------------|-----------------|-----------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 260.6 | \$ 213.7 | \$ 63.4 | \$ 58.3 | \$ 324.0 | \$ 272.0 |
| Capital assets | 358.1 | 362.2 | 158.3 | 156.8 | 516.4 | 519.0 |
| Total assets | <u>618.7</u> | <u>575.9</u> | <u>221.7</u> | <u>215.1</u> | <u>840.4</u> | <u>791.0</u> |
| General obligation bonds | 289.4 | 243.7 | 57.1 | 61.3 | 346.5 | 305.0 |
| Other long-term liabilities | 223.1 | 147.1 | 16.8 | 5.2 | 239.9 | 152.3 |
| Other liabilities | 72.7 | 58.3 | 10.1 | 14.2 | 82.8 | 72.5 |
| Total liabilities | <u>585.2</u> | <u>449.1</u> | <u>84.0</u> | <u>80.7</u> | <u>669.2</u> | <u>529.8</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 172.8 | 174.8 | 104.0 | 100.1 | 276.8 | 274.9 |
| Restricted | 7.2 | 6.7 | - | - | 7.2 | 6.7 |
| Unrestricted (deficit) | (146.6) | (54.7) | 33.7 | 34.3 | (112.9) | (20.4) |
| Total net assets | <u>\$ 33.4</u> | <u>\$ 126.8</u> | <u>\$ 137.7</u> | <u>\$ 134.4</u> | <u>\$ 171.1</u> | <u>\$ 261.2</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. By far, the largest portion of the City's total net assets reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt still outstanding that was used to acquire those assets. At June 30, 2008, this balance was \$276.8 versus \$274.9 at June 30, 2007. 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.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

THE CITY AS A WHOLE (CONT'D)

An additional portion of the City's total net assets, \$7.2 at June 30, 2008, 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, 2008 were a deficit of \$112.9, versus a deficit at June 30, 2007 of \$20.4.

Governmental activities

Total net assets of the City's governmental activities decreased substantially from \$126.8 at June 30, 2007 to \$33.4 as of June 30, 2008, a decrease of \$93.4. The primary cause for this decline is the implementation of a new directive from the *Governmental Accounting Standards Board* requiring municipalities to report a liability for the cost of providing postemployment benefits to employees. For the City of Syracuse, this represents the cost of providing subsidized health insurance for retirees coupled with the potential for presently active employees to receive the benefit. This calculation was performed by an independent actuarial firm to arrive at a potential total liability for the benefit based on the life expectancy of the present retired and active employee pool and other pertinent factors. Though this figure represents the total estimated cost of providing the benefit to all employees over many years, a portion of this liability is required to be reported in the government-wide portion of the City's financial statements. This additional liability is reflected in the Statement of Net Assets and the Statement of Activities. The amount reported for this liability at June 30, 2008 is \$92.2.

Business-type activities

The net assets of our business-type activities increased by 2.5% in 2008 (\$137.7 compared to \$134.4). This increase is reflected on the financial statements as an increase of investment in assets of \$3.9 and a decrease in unrestricted net assets of \$0.6. This overall increase 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.

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.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

THE CITY AS A WHOLE (CONT'D)

Table 2
Changes in Net Assets
(In Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|-----------------|-----------------------------|----------------|--------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Fees, fines and charges for services | \$ 20.9 | \$ 17.4 | \$ 54.7 | \$ 59.7 | \$ 75.6 | \$ 77.1 |
| Grants and contributions | 83.1 | 112.3 | 9.3 | 11.2 | 92.4 | 123.5 |
| General revenues: | | | | | | |
| Property taxes and tax items | 83.8 | 86.3 | - | - | 83.8 | 86.3 |
| Other taxes | 3.8 | 3.8 | - | - | 3.8 | 3.8 |
| Sales and use taxes | 69.2 | 67.7 | 0.1 | 0.1 | 69.3 | 67.8 |
| Unallocated State Aid | 333.3 | 270.3 | - | - | 333.3 | 270.3 |
| Unallocated Federal Aid | 2.5 | 3.2 | - | - | 2.5 | 3.2 |
| Investment earnings | 7.2 | 5.9 | 1.5 | 1.8 | 8.7 | 7.7 |
| Other general revenues | 12.5 | 12.6 | - | - | 12.5 | 12.6 |
| Total revenues | 616.3 | 579.5 | 65.6 | 72.8 | 681.9 | 652.3 |
| Program expenses | | | | | | |
| Total governmental | 709.7 | 584.1 | - | - | 709.7 | 584.1 |
| School District Food Service | | | 9.8 | 8.5 | 9.8 | 8.5 |
| Aviation | | | 36.6 | 41.5 | 36.6 | 41.5 |
| Water | | | 14.9 | 13.4 | 14.9 | 13.4 |
| Sewer | | | 5.3 | 4.4 | 5.3 | 4.4 |
| Total expenses | 709.7 | 584.1 | 66.6 | 67.8 | 776.3 | 651.9 |
| Excess (deficiency) before transfers | (93.4) | (4.6) | (1.0) | 5.0 | (94.4) | 0.4 |
| Transfers | | 2.5 | (0.8) | (2.5) | (0.8) | - |
| Capital contributions | | | 5.1 | 12.6 | 5.1 | 12.6 |
| Increase (decrease) in net assets | \$ (93.4) | \$ (2.1) | \$ 3.3 | \$ 15.1 | \$ (90.1) | 13.0 |

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

THE CITY AS A WHOLE (CONT'D)

The City's total revenues in 2008 increased by 4.5% (\$681.9 compared to the previous year of \$652.3). This change (\$29.6) was due to the combination of many factors. Most notably, there was an increase in Unallocated State Aid (\$63.0) offset by a decrease in Capital and Operating Grants (\$31.0) and a decrease in Property Tax related revenues (\$2.5).

The total cost of all programs and services increased by 19.1% (\$776.3 compared to \$651.9 in the prior year). This increase (\$124.4) is due primarily to the expense associated with recording the liability for postemployment benefits which was discussed earlier in this document. The additional expense associated with this liability is \$92.2 in the governmental activities and \$5.7 in the business-type activities. Additionally, increased costs were recorded in Education (\$11.2), Public Safety (\$4.9), General Government (\$3.7) and Home & Community services (\$3.0). Total revenues were not sufficient to cover this year's total costs. This deficit, combined with capital contributions of \$5.1, decreased the net assets of the City by \$90.1 for fiscal year 2008 versus an increase of \$13.0 for fiscal year 2007. 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 \$579.5 in 2007 to \$ 616.3 in 2008, an increase of \$36.8. The major reasons for the increase were partially discussed earlier. In summary, Unallocated State Aid rose by \$63.0, Fees, fines and charges increased by \$3.5 and Capital and Operating grants decreased by \$29.2. Again, many factors affected this total. These are only highlights.

Program expenses increased in 2008, going from \$584.1 in 2007 to \$709.7 in 2008, a 21.5% or \$125.6 increase. The major contributors to this increase are enumerated in the section immediately preceding this one.

The increase in program expenses together with the smaller increase in program revenues, as discussed above, resulted in a decrease in net assets for 2008 of (\$93.4) after transfers, versus a decrease in net assets for 2007 of (\$2.1).

Business-type Activities

Revenues in the City's business-type activities (See Table 2) decreased by 9.9%, or \$7.2 (\$65.6 in 2008 as compared to \$72.8 in 2007). This decrease, as compared to 2007, was related to an increase in service revenues of \$2.3 in Aviation and a \$7.2 decrease in Food service revenue. Additionally, there was an increase of \$7.2 in operating grants, investments yielded \$0.3 less compared to 2007 and there was a net \$9.2 decrease in Capital Grants.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

THE CITY AS A WHOLE (CONT'D)

Business-type Activities (Cont'd)

Expenses of the City's business type activities decreased by 1.8%, or \$1.2 (\$66.6 versus \$67.8 last year). There was a \$4.9 decrease in Aviation costs. However, this reduction was offset by increases in the costs of Water, Sewer and Food Service of \$1.5, \$0.9 and \$1.2, respectively.

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 \$166.8, which is substantially more than last year's total of \$93.4. A major portion of this increase results from bond proceeds for the Joint School Construction Board Fund. The Joint School Construction Board Fund was established to account for the revenues and expenditures associated with a joint City and School District program to rehabilitate the City's schools. Bonds were issued in the amount of \$49.2 and as of the date of these statements, only \$2.5 had been expended. The General fund had a \$15.9 surplus for the fiscal year and the City's School District special revenue fund also had a sizeable surplus of \$6.3. The balance of the increase was comprised of surplus balances in the Capital Projects and Non-major governmental funds. Approximately \$78.6 this year, versus \$57.5 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 \$62.5, while total fund balance was \$63.0. Last year unreserved fund balance was \$46.7 and total fund balance was \$47.2. 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, 2008, unreserved fund balances represent 31.6 % of total fund expenditures (including transfers out), while total fund balance represents 31.9% of that same amount. The fund balance of the City's general fund increased by \$15.9 during the current fiscal year. The original adopted budget for 2008 included appropriated fund balance of \$5.7 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 \$5.7 if actual performance mirrored the original budget's projections. An analysis of the variance is presented in the section following titled **General Fund Budgetary Highlights**.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

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 \$23.4. Of this amount \$5.9 was encumbered for contracts underway and \$17.5 was reserved for bonded capital projects.
- *Joint School Construction Board Fund* --- The joint school construction board fund is a school district fund that accounts for activities relating to the refurbishment of educational facilities in the City of Syracuse. The joint school construction board was formed through an agreement between the City of Syracuse and the Syracuse City School District to administer the activities of this project. At the end of the current fiscal year, the fund had a balance of \$48.6. The entire balance is reserved for the purposes of this project and is not available for appropriation for any other purpose.
- *School district special revenue fund* --- The School District special revenue fund is comprised of the School District's general operating fund and the special aid fund. The combined total fund balance at the end of the current fiscal year was \$20.7, last year it was \$14.4. The increase of \$6.3 is related to operating efficiencies 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 \$320.3 and expenditures (including transfers out) were \$313.9.
- *Community development special revenue fund* --- The Community Development fund is a special revenue fund used to account for the programs and projects primarily funded by the U.S. Department of Housing and Urban Development. The Community Development Fund accounts for its revenue and expenditures using grant accounting. Therefore, revenues are accrued as the expenditures are incurred. During the year, the fund recorded \$17.3 in both revenues and expenditures. For fiscal year 2007, the fund recorded revenues and expenditures of \$16.1. At June 30, 2008, total assets were \$12.5 and total liabilities were \$12.5. At the end of the previous fiscal year, total assets were \$ 11.7 and liabilities were \$11.7.

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 \$137.7. The increase of \$3.3 in total net assets of the proprietary funds from 2007 to 2008, by fund, was comprised of the following: aviation fund increased by \$3.9; the water fund increased by \$1.4, the sewer fund had a \$0.7 deficit and the city school district food service fund had a \$1.3 deficit.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

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 8 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 \$212.1. Included in the estimated revenues was an appropriation of fund balance of \$5.7.

During the course of the year, the City's general fund budget was amended to reflect additional revenues and associated appropriation and for various small items, resulting in a final, revised budget of \$214.6, utilizing \$5.8 of fund balance. Please refer to page 68, 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 \$15.9, as compared to a final adopted budget with a deficit of \$5.8. This surplus was the result of several variances from both revenue and expenditure projections. On the revenue side, the City experienced higher than anticipated revenues from sales tax (\$1.0), collection of current and prior years property taxes (\$1.3), investment interest (\$0.3), sales of property (\$0.8), the federal government subsidy for Medicare (\$0.2) and fines and forfeitures (0.9). Expenditures varied from projected amounts in several respects. Prominent variances of note were lower than expected pension costs (\$1.7), low health insurance costs (\$3.7), payroll taxes (\$1.0) workers compensation costs (\$0.8) and a reduction of interfund transfers (\$0.9). These savings were combined with successful cost containment initiatives to produce lower than expected expenditures in nearly every expenditure function.

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, 2008, amounted to \$516.4 (net of accumulated depreciation). The previous year's amount was \$519.1. 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 \$358.1 (net of accumulated depreciation) this year as compared to \$362.2 last year. For the City's business-type activities, the balance at the end of this year was \$158.3 (net of accumulated depreciation) as compared to \$156.8 last year.

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Capital Assets (Cont'd)

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 are as follows:

- School District Building and Improvements -- \$16.1
- School District Furniture and Equipment -- \$1.6
- School District Vehicles -- \$0.7
- DPW Building and Facility improvements -- \$0.8
- Improvements and rehabilitation of sidewalks, roads and intersections -- \$3.0
- Upgrade to the City's asphalt plant -- \$3.9
- DPW Equipment -- \$0.4
- Oiling and Flushing Equipment -- \$0.2
- Fire Department Equipment -- \$0.6
- Parks Improvements -- \$0.8
- Parks Equipment -- \$0.2
- Police Department Equipment -- \$1.2
- Sewer Department Equipment -- \$0.2
- Water Department Equipment -- \$0.5
- Water System Improvements -- \$0.5
- Airport Pavement and Fencing - \$2.2
- Airport Roads, runways, paving and ducts -- \$6.2
- Airport Building Improvements - \$0.6

Depreciation expense for the current fiscal year was \$29.7 for governmental activities and \$12.4 for business-type activities.

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt

At year-end the City had \$353.8 outstanding in bonds and notes versus \$340.6 last year, an increase of 3.9%. See Table 3 below for a breakdown of bonds and notes by governmental activities and business-type activities.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|----------------------------|--------------|-----------------------------|-------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds | \$ 289.4 | \$ 243.7 | \$ 57.1 | \$ 61.3 | \$ 346.5 | \$ 305.0 |
| Construction notes payable | - | - | 4.2 | - | 4.2 | - |
| Bond anticipation notes | - | - | 3.1 | 1.6 | 3.1 | 1.6 |
| Revenue anticipation notes | - | 34.0 | - | - | - | 34.0 |
| Total | 289.4 | 277.7 | 64.4 | 62.9 | 353.8 | 340.6 |

With respect to general obligation bonds, total new debt issued during the year was \$71.4. Proceeds were used to finance capital projects. Major projects comprising most of the \$ are as follows:

- School District School Renovation & Improvement -- \$62.1
- School District Vehicles -- \$0.5
- Asphalt Plant Upgrade -- \$1.5
- Sidewalk Improvements -- \$1.2
- Road Reconstruction -- \$4.0
- Geddes Street Streetscape -- \$0.4
- Bridge & Retaining Wall Reconstruction -- \$0.4
- Skaneateles Watershed -- \$1.0

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Long-term Debt (Cont'd)

The City redeemed \$1.6 of Bond Anticipation Notes for the Airport which were outstanding at June 30, 2007 during the fiscal year. Bond Anticipation Notes were issued in October of 2007 (\$1.2) and June of 2008 (\$1.9) for Airport purposes totaling \$3.1. These notes were outstanding at June 30, 2008.

The City issued \$75.0 in Revenue Anticipation Notes (RANs) during the fiscal year; \$55.0 on behalf of the School District and \$20.0 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. These RANs (\$75.0) were paid off prior to the end of the fiscal period, as were the \$34.0 outstanding at June 30, 2007.

The City entered into an agreement with New York State through the Drinking Water Revolving Fund for \$4.2 of interest-free financing in the form of a construction note for the City's Water operations in October of 2007. The first principal payment for this note is due in September, 2009. The note will be satisfied in September, 2010.

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, an A- rating from Standard & Poor's and a BBB from Fitch IBCA.

The New York State Constitution imposes a debt limit of 9 percent of the most recent five-year average of full valuation of taxable real estate in the City. Certain specified types of obligations are excluded. The limit as of fiscal year end was \$337.3, 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.)

(Continued)

**CITY OF SYRACUSE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

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

In setting the 2009 fiscal year budget, the property tax levy was increased by 1.7 % as compared to the previous fiscal year. The actual combined property tax levy of the City and School District for fiscal year 2009 is \$79.3 (\$23.2 for the City and \$56.1 for the School District), compared with the previous year of \$78.0 million (\$22.7 for the City and \$55.3 for the School District), exclusive of the State's STAR program. The City and School District combined property tax rate for 2009 is \$25.1220 per \$1,000 of assessed property value (\$7.4274 for the City and \$17.6946 for the School District).

The City's 2009 budget included \$15.9 use of fund balance for the City General Fund and the School District included \$4.2 use of fund balance to balance appropriations. In addition, the City budgeted, and will receive additional State aid of \$7.4 above fiscal year 2008, a 10.8% increase.

The Airport fund will remain self-sufficient and will not affect the City's general fund operations for 2009.

Water and Sewer rates are being evaluated and may possibly be raised in late 2009 to reflect rising operating costs and to address the cost of repairs to the Westcott reservoir. The last rate adjustment was in 2008.

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, 2008

| | PRIMARY GOVERNMENT | | | |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| ASSETS: | | | | |
| Pooled cash and cash equivalents | \$ 39,694,699 | \$ 2,315,560 | \$ 42,010,259 | \$ - |
| Cash and cash equivalents | - | 28,067,926 | 28,067,926 | 21,221,321 |
| Receivables: | | | | |
| Accounts | 9,561,333 | 6,514,930 | 16,076,263 | - |
| Taxes (net of allowance of \$17,322,103) | 6,134,466 | - | 6,134,466 | - |
| Other | 7,733,718 | - | 7,733,718 | 708,027 |
| Loans receivable - due within one year | - | - | - | 1,418,211 |
| Interest receivable | - | - | - | 263,015 |
| Due from other governments | 74,811,221 | 2,875,936 | 77,687,157 | 76,602 |
| Due from primary government | - | - | - | 1,485,615 |
| Due from component units (net of allowance of \$5,531,318) | 743,313 | - | 743,313 | - |
| Internal balances | 3,151,887 | (3,151,887) | - | - |
| Due from fiduciary funds | 51,602,832 | - | 51,602,832 | - |
| Inventories | - | 266,507 | 266,507 | - |
| Other assets | 74,097 | 560,969 | 635,066 | 737,160 |
| Restricted assets: | | | | |
| Pooled cash and cash equivalents | 65,966,848 | 2,313,083 | 68,279,931 | - |
| Cash and cash equivalents | - | 22,591,266 | 22,591,266 | - |
| Deferred charges | 1,135,431 | 1,014,608 | 2,150,039 | - |
| Loans receivable - due in more than one year | - | - | - | 11,245,242 |
| Capital assets: | | | | |
| Nondepreciable | 91,597,637 | 23,269,446 | 114,867,083 | 3,545,106 |
| Depreciable, net | 266,476,577 | 135,037,414 | 401,513,991 | 14,652,654 |
| TOTAL ASSETS | \$ 618,684,059 | \$ 221,675,758 | \$ 840,359,817 | \$ 55,352,953 |
| LIABILITIES: | | | | |
| Accounts payable and accrued expenses | 36,168,635 | 7,910,352 | 44,078,987 | 1,859,322 |
| Accrued interest expense | 8,137,022 | 1,192,687 | 9,329,709 | 808,631 |
| Due to other governments | 11,743,845 | - | 11,743,845 | 9,261 |
| Due to component units | 1,465,013 | 46,772 | 1,511,785 | - |
| Due to fiduciary funds | 452,450 | - | 452,450 | - |
| Deferred revenues | 13,324,160 | 934,053 | 14,258,213 | - |
| Other liabilities | 1,448,712 | - | 1,448,712 | - |
| Long-term liabilities - due within one year | 65,812,859 | 10,008,610 | 75,821,469 | 7,599,645 |
| Due to primary government - due within one year | - | - | - | 993,358 |
| Long-term liabilities - due in more than one year | 446,695,139 | 63,858,787 | 510,553,926 | 23,321,396 |
| Due to primary government - due in more than one year | - | - | - | 5,426,547 |
| Total liabilities | 585,247,835 | 83,951,261 | 669,199,096 | 40,018,160 |
| NET ASSETS: | | | | |
| Invested in capital assets, net of related debt | 172,842,976 | 103,992,286 | 276,835,262 | (279,428) |
| Restricted for: | | | | |
| Debt service | 5,724,356 | - | 5,724,356 | - |
| Project Orange | 258,404 | - | 258,404 | - |
| EMS training | 682,088 | - | 682,088 | - |
| Trusts and permanent funds | 283,729 | - | 283,729 | - |
| Water Project | 195,794 | - | 195,794 | - |
| Clinton Square Project | 15,066 | - | 15,066 | - |
| Loan programs | - | - | - | 6,364,295 |
| Unrestricted | (146,566,189) | 33,732,211 | (112,833,978) | 9,249,926 |
| Total net assets | 33,436,224 | 137,724,497 | 171,160,721 | 15,334,793 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 618,684,059 | \$ 221,675,758 | \$ 840,359,817 | \$ 55,352,953 |

**CITY OF SYRACUSE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | Component Units |
|---|----------------------|--------------------------------------|---|--------------------------|----------------------|
| | Expenses | Fees, Fines and Charges for Services | Primary Government | | |
| | | | Governmental Activities | Business-type Activities | |
| PRIMARY GOVERNMENT: | | | | | |
| Governmental Activities: | | | | | |
| General government support | \$ 86,835,422 | \$ 5,439,395 | \$ 2,640,374 | \$ 1,041,499 | \$ (77,714,154) |
| Police department | 85,956,467 | 4,168,210 | 2,037,687 | - | (79,750,570) |
| Fire department | 52,664,317 | 96,189 | 232,038 | - | (52,336,090) |
| Other public safety | 6,190,052 | 2,500,940 | 500,000 | - | (3,189,112) |
| Transportation | 37,833,975 | 6,704,019 | 520,825 | 3,408,873 | (27,200,258) |
| Economic opportunity and development | 1,072,734 | - | 1,012,234 | - | (60,500) |
| Home and community services | 30,733,526 | 1,339,751 | 16,666,190 | - | (12,727,585) |
| Culture and recreation | 12,227,283 | 374,433 | 303,827 | 50,000 | (11,499,023) |
| Education | 361,454,536 | 304,571 | 54,467,298 | - | (306,682,667) |
| Pupil transportation | 18,975,034 | - | 264,705 | - | (18,710,329) |
| Interest on long-term debt | 15,790,926 | - | - | - | (15,790,926) |
| Total governmental activities | 709,734,272 | 20,927,508 | 78,645,178 | 4,500,372 | (605,661,214) |
| Business-type Activities: | | | | | |
| Aviation | 36,597,976 | 33,017,484 | - | 1,106,869 | (2,473,623) |
| Water | 14,878,839 | 16,566,451 | - | 369,519 | 2,057,131 |
| Sewer | 5,268,266 | 4,417,819 | - | - | (850,447) |
| Food service | 9,775,319 | 674,605 | 7,786,568 | - | (1,314,146) |
| Total business-type activities | 66,520,400 | 54,676,359 | 7,786,568 | 1,476,388 | (2,581,085) |
| TOTAL PRIMARY GOVERNMENT | \$776,254,672 | \$75,603,867 | \$86,431,746 | \$5,976,760 | (608,242,299) |
| Component units: | | | | | |
| Syracuse Industrial Development Agency | 16,639,560 | 18,122,553 | 855,000 | - | 2,337,993 |
| Syracuse Economic Development Corporation | 2,559,081 | 1,494,735 | 65,000 | - | (999,346) |
| Syracuse Urban Renewal Agency | 391 | - | - | - | (391) |
| TOTAL COMPONENT UNITS | \$ 19,199,032 | \$ 19,617,288 | \$ 920,000 | \$ - | 1,338,256 |
| General revenues: | | | | | |
| Property taxes and tax items | | | | | 83,798,501 |
| Sales and use taxes | | | | | 69,256,800 |
| Other taxes | | | | | 3,846,655 |
| Unallocated state aid | | | | | 333,327,180 |
| Unallocated federal aid | | | | | 2,490,265 |
| Investment earnings | | | | | 7,176,145 |
| Capital contributions | | | | | 800,000 |
| Transfers | | | | | 11,634,363 |
| Miscellaneous | | | | | 512,279,909 |
| Total general revenues, transfers and special items | | | | | 5,887,417 |
| Change in net assets | | | | | 3,306,332 |
| Net assets at beginning of year | | | | | 126,817,529 |
| Net assets at end of year | | | | | 134,418,165 |
| | | | | | \$ 33,436,224 |
| | | | | | \$ 171,160,721 |

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

CITY OF SYRACUSE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

| | General Fund | Capital Projects Fund | Joint School Construction Board | Special Revenue | | Community Development | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|-----------------------------|--------------------------|
| | | | | City School District | Community Development | | | |
| ASSETS: | | | | | | | | |
| Pooled cash and cash equivalents | \$ 34,685,937 | \$ 4,724,344 | \$ - | \$ - | \$ - | \$ - | \$ 284,418 | \$ 39,694,699 |
| Pooled restricted cash and cash equivalents | 37 | 8,507,360 | 48,715,997 | - | - | - | 6,706,930 | 63,930,324 |
| Restricted cash and cash equivalents | - | - | - | - | 2,036,524 | - | - | 2,036,524 |
| Loans receivable | - | - | - | - | 6,541,418 | - | - | 6,541,418 |
| Accounts receivable | 1,083,083 | 4,700 | - | 1,192,300 | - | - | 4,158,870 | 6,438,953 |
| Taxes receivable (net of allowance of \$17,322,103) | 6,377,773 | - | - | 3,702,001 | - | - | 296,087 | 10,375,861 |
| Due from other funds | 3,478,969 | 14,493,569 | - | 45,948,616 | - | 1,402 | 4,579,843 | 68,502,399 |
| Due from other governments | 37,230,871 | 1,674,246 | - | 31,539,386 | - | 3,131,574 | 899,793 | 74,475,870 |
| Due from component units (net of allowance of \$5,531,318) | - | - | - | - | - | 743,313 | - | 743,313 |
| Other assets | - | - | - | 74,097 | - | - | - | 74,097 |
| TOTAL ASSETS | \$ 82,856,670 | \$ 29,404,219 | \$ 48,715,997 | \$ 82,456,400 | \$ 12,454,231 | \$ 16,925,941 | \$ 272,813,458 | |
| LIABILITIES AND FUND BALANCES: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | \$ 6,819,782 | \$ 3,050,502 | \$ - | \$ 22,588,606 | \$ 3,452,513 | \$ - | \$ 257,230 | \$ 36,168,633 |
| Due to other funds | 1,402 | 2,944,519 | 147,517 | 10,205,683 | 85,657 | - | 815,352 | 14,200,130 |
| Due to other governments | 26,894 | 27,718 | - | 11,689,233 | - | - | - | 11,743,845 |
| Due to component units | 1,231,104 | - | - | - | 223,880 | - | 10,029 | 1,465,013 |
| Deferred revenues | 6,554,199 | - | - | - | 7,243,469 | - | 4,687,404 | 18,485,072 |
| Amounts due to retirement systems | 3,411,189 | - | - | 16,824,344 | - | - | - | 20,235,533 |
| Accrued compensated absences | 200,000 | - | - | 429,907 | - | - | - | 629,907 |
| Self-insurance claims | 1,588,408 | - | - | - | - | - | - | 1,588,408 |
| Other liabilities | - | - | - | - | 1,448,712 | - | - | 1,448,712 |
| Total liabilities | 19,832,978 | 6,022,739 | 147,517 | 61,737,773 | 12,454,231 | 5,770,015 | 105,965,253 | |
| Fund Balances: | | | | | | | | |
| Reserved for encumbrances | \$ 74,052 | \$ 5,859,732 | \$ - | \$ 4,785,479 | \$ - | \$ - | \$ - | \$ 10,719,263 |
| Reserved for bonded capital projects | - | 17,521,748 | - | - | - | - | - | 17,521,748 |
| Reserved for Project Orange | 258,404 | - | - | - | - | - | - | 258,404 |
| Reserved for EMS Training | 195,794 | - | - | - | - | - | - | 195,794 |
| Reserved for Clinton Square Maintenance | 15,066 | - | - | - | - | - | - | 15,066 |
| Reserved for bonded debt | - | - | 48,568,480 | - | - | - | - | 48,568,480 |
| Reserved for trusts and permanent funds | - | - | - | - | - | - | 10,304,199 | 58,872,679 |
| Unreserved: | | | | | | | 692,889 | 692,889 |
| Designated | 18,850,973 | - | - | 15,933,148 | - | - | - | 34,784,121 |
| Undesignated | 43,629,403 | - | - | - | - | - | 158,838 | 43,788,241 |
| Total fund balances | 63,023,692 | 23,381,480 | 48,568,480 | 20,718,627 | 11,155,926 | 16,925,941 | 166,848,205 | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 82,856,670 | \$ 29,404,219 | \$ 48,715,997 | \$ 82,456,400 | \$ 12,454,231 | \$ 16,925,941 | \$ 272,813,458 | |

CITY OF SYRACUSE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

| | |
|--|----------------------|
| Total fund balances for governmental funds | \$ 166,848,205 |
| 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. | 358,074,214 |
| Accounts receivable not received within 60 days and therefore not reported in the funds. | 948,027 |
| Tax lien sale revenue reported in the funds previously recognized in the government-wide statements. | (1,568,393) |
| Taxes collected after year end not available to pay for current year expenditures and deferred in funds. | 6,189,912 |
| 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. | (490,054,150) |
| Deferred charges expensed as incurred in funds. | 1,135,431 |
| Accrued interest not reported in the funds. | <u>(8,137,022)</u> |
| Total net assets of governmental activities | <u>\$ 33,436,224</u> |

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

CITY OF SYRACUSE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

| | General Fund | Capital Projects Fund | Joint School Construction Board | Special Revenue | | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------------|--------------------------|
| | | | | City School District | Community Development | | |
| REVENUES: | | | | | | | |
| General property taxes and tax items | \$ 30,751,312 | \$ - | \$ - | \$ 55,127,749 | \$ - | \$ 2,246,135 | \$ 88,125,196 |
| Sales and use taxes | 64,880,700 | - | - | 4,326,100 | - | - | 69,206,800 |
| Other local taxes | 3,846,655 | - | - | - | - | 620,279 | 4,466,934 |
| Departmental revenues | 10,494,931 | - | - | - | - | - | 10,494,931 |
| Intergovernmental charges | 292,711 | - | - | - | - | - | 292,711 |
| Licenses and permits | 1,754,718 | - | - | - | - | - | 1,754,718 |
| Fines and forfeitures | 3,124,934 | - | - | - | - | - | 3,124,934 |
| Sale of property and compensation for loss | 2,969,001 | - | - | 40,129 | - | - | 3,009,130 |
| Use of money and property | 1,767,928 | 401,884 | 6,441 | 2,476,011 | - | 709,596 | 5,361,860 |
| Federal and state aid and other grants | 80,975,483 | 2,032,718 | - | 313,352,870 | 17,261,016 | 1,986,304 | 415,608,391 |
| Other revenues | 11,943,283 | 69,450 | - | 348,094 | - | 408,916 | 12,769,743 |
| Total revenues | 212,801,656 | 2,504,052 | 6,441 | 375,670,953 | 17,261,016 | 5,971,230 | 614,215,348 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government support | 22,390,753 | - | - | 46,880,540 | 1,002,583 | 886,155 | 71,160,031 |
| Public safety | 114,454,903 | - | - | - | - | 1,805,382 | 116,260,285 |
| Transportation | 20,077,024 | - | - | - | - | 1,533,535 | 21,610,559 |
| Economic opportunity and development | 60,500 | - | - | - | 1,012,234 | - | 1,072,734 |
| Home and community services | 11,645,379 | - | - | 1,209,150 | 15,246,199 | 260,743 | 28,361,471 |
| Culture and recreation | 8,967,628 | - | - | - | - | 60,266 | 9,027,894 |
| Education | - | - | - | 304,020,147 | - | - | 304,020,147 |
| Debt service | - | - | - | - | - | 23,291,366 | 23,291,366 |
| Interest on debt | 584,584 | - | - | 1,980,000 | - | 10,141,448 | 12,706,032 |
| Capital outlays | - | 23,826,723 | 2,488,329 | - | - | - | 26,315,052 |
| Total expenditures | 178,180,771 | 23,826,723 | 2,488,329 | 354,089,837 | 17,261,016 | 37,978,895 | 613,825,571 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 34,620,885 | (21,322,671) | (2,481,888) | 21,581,116 | - | (32,007,665) | 389,777 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Bond proceeds | - | 21,176,050 | 49,230,000 | - | - | - | 70,406,050 |
| Premium on issuance of debt | - | - | 1,820,368 | - | - | - | 1,820,368 |
| Operating transfers in | 800,000 | 3,936,000 | - | 3,386,086 | - | 32,613,913 | 40,735,999 |
| Operating transfers out | (19,547,361) | (1,575,264) | - | (18,623,066) | - | (190,308) | (39,935,999) |
| Total other financing sources (uses) - net | (18,747,361) | 23,536,786 | 51,050,368 | (15,236,980) | - | 32,423,605 | 73,026,418 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 15,873,524 | 2,214,115 | 48,568,480 | 6,344,136 | - | 415,940 | 73,416,195 |
| FUND BALANCES AT BEGINNING OF YEAR | 47,150,168 | 21,167,365 | - | 14,374,491 | - | 10,739,986 | 93,432,010 |
| FUND BALANCES AT END OF YEAR | \$ 63,023,692 | \$ 23,381,480 | \$ 48,568,480 | \$ 20,718,627 | \$ - | \$ 11,155,926 | \$ 166,848,205 |

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, 2008

| | | |
|--|--------------|-----------------|
| Net change in fund balances - total governmental funds | | \$ 73,416,195 |
| <p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p> | | |
| <p>Governmental funds report all capital outlays as expenditures. However, in the Statement of Activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p> | | |
| | (3,511,071) | |
| <p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.</p> | | |
| <p>Debt issued:</p> | | |
| Bonds payable | (70,406,050) | |
| <p>Repayments:</p> | | |
| Bond principal | 23,291,366 | (47,114,684) |
| Revenue received more than 60 days after year end. | | 1,105,249 |
| <p>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.</p> | | |
| | | (112,832,919) |
| <p>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.</p> | | |
| | | (19,603) |
| Revenue recorded in the funds has been previously recognized in the Statement of Activities. | | (1,568,393) |
| <p>In the Statement of Activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p> | | |
| | | (2,856,079) |
| Net change in net assets of governmental activities | | \$ (93,381,305) |

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, 2008

| | Business-type Activities | | | | | |
|---|--------------------------|----------------------|----------------------|-----------------------|---------------------|---|
| | Enterprise Funds | | | | | City School District-Food Service |
| | Aviation | Water | Sewer | Total City | Total | |
| ASSETS: | | | | | | |
| Current: | | | | | | |
| Pooled cash and cash equivalents | \$ - | \$ 25,311 | \$ 2,290,249 | \$ 2,315,560 | \$ - | \$ 2,315,560 |
| Cash and cash equivalents | 28,067,926 | - | - | 28,067,926 | - | 28,067,926 |
| Accounts receivable | 2,088,460 | 3,649,095 | 777,375 | 6,514,930 | - | 6,514,930 |
| Due from other governments | 1,069,973 | 326,018 | - | 1,395,991 | 1,479,945 | 2,875,936 |
| Due from other funds | 60,500 | - | - | 60,500 | - | 60,500 |
| Inventories | - | - | - | - | 266,507 | 266,507 |
| Prepaid expenses and other | 260,333 | 227,366 | 48,139 | 535,838 | 25,131 | 560,969 |
| Total current assets | 31,547,192 | 4,227,790 | 3,115,763 | 38,890,745 | 1,771,583 | 40,662,328 |
| Noncurrent: | | | | | | |
| Pooled restricted cash and cash equivalents | - | 1,834,395 | 478,688 | 2,313,083 | - | 2,313,083 |
| Restricted cash and cash equivalents | 17,683,867 | 4,907,399 | - | 22,591,266 | - | 22,591,266 |
| Deferred charges | 1,014,608 | - | - | 1,014,608 | - | 1,014,608 |
| Due from other funds | 514,750 | - | - | 514,750 | - | 514,750 |
| Capital assets (net) | 110,673,661 | 35,578,881 | 11,774,329 | 158,026,871 | 279,989 | 158,306,860 |
| Total noncurrent assets | 129,886,886 | 42,320,675 | 12,253,017 | 184,460,578 | 279,989 | 184,740,567 |
| TOTAL ASSETS | \$ 161,434,078 | \$ 46,548,465 | 15,368,780 | \$ 223,351,323 | \$ 2,051,572 | \$ 225,402,895 |
| LIABILITIES: | | | | | | |
| Current: | | | | | | |
| Accounts payable and accrued expenses | \$ 5,661,434 | \$ 1,425,428 | \$ 267,919 | \$ 7,354,781 | \$ 555,571 | \$ 7,910,352 |
| Bond anticipation notes payable | 3,111,000 | - | - | 3,111,000 | - | 3,111,000 |
| Capital lease obligation | 36,388 | - | - | 36,388 | - | 36,388 |
| Accrued interest | 975,091 | 160,164 | 57,432 | 1,192,687 | - | 1,192,687 |
| Due to other funds | 2,577,883 | - | - | 2,577,883 | 1,149,254 | 3,727,137 |
| Due to component unit | - | 46,772 | - | 46,772 | - | 46,772 |
| Current portion of bonds payable | 3,326,000 | 1,679,515 | 463,532 | 5,469,047 | - | 5,469,047 |
| Amounts due to retirement systems | 30,481 | 91,065 | 34,514 | 156,060 | 1,964 | 158,024 |
| Accrued compensated absences | 184,948 | 22,803 | 15,223 | 222,974 | 130,416 | 353,390 |
| Self-insurance claims | 163,160 | 429,848 | 160,914 | 753,922 | 126,839 | 880,761 |
| Deferred revenue | 60,500 | 358,802 | - | 419,302 | - | 419,302 |
| Total current liabilities | 16,126,885 | 4,214,397 | 999,534 | 21,340,816 | 1,964,044 | 23,304,860 |
| Noncurrent: | | | | | | |
| Bonds - net of current portion | 23,093,166 | 21,375,272 | 7,195,930 | 51,664,368 | - | 51,664,368 |
| Capital lease obligation - net of current portion | 266,241 | - | - | 266,241 | - | 266,241 |
| Construction notes payable | - | 4,172,811 | - | 4,172,811 | - | 4,172,811 |
| Amounts due to retirement systems | 181,184 | - | - | 181,184 | - | 181,184 |
| Accrued compensated absences | - | 267,280 | 99,537 | 366,817 | - | 366,817 |
| Self-insurance claims | 259,753 | 690,214 | 260,780 | 1,210,747 | 338,315 | 1,549,062 |
| Other postemployment benefits | 1,687,000 | 2,091,000 | 853,000 | 4,631,000 | 1,027,304 | 5,658,304 |
| Deferred revenue | 514,751 | - | - | 514,751 | - | 514,751 |
| Total noncurrent liabilities | 26,002,095 | 28,596,577 | 8,409,247 | 63,007,919 | 1,365,619 | 64,373,538 |
| Total liabilities | 42,128,980 | 32,810,974 | 9,408,781 | 84,348,735 | 3,329,663 | 87,678,398 |
| NET ASSETS: | | | | | | |
| Invested in capital assets, net of related debt | 84,221,700 | 14,971,309 | 4,519,288 | 103,712,297 | 279,989 | 103,992,286 |
| Unrestricted: | | | | | | |
| Designated | - | 1,000,000 | - | 1,000,000 | - | 1,000,000 |
| Undesignated | 35,083,398 | (2,233,818) | 1,440,711 | 34,290,291 | (1,558,080) | 32,732,211 |
| Total net assets | 119,305,098 | 13,737,491 | 5,959,999 | 139,002,588 | (1,278,091) | 137,724,497 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 161,434,078 | \$ 46,548,465 | \$ 15,368,780 | \$ 223,351,323 | \$ 2,051,572 | \$ 225,402,895 |

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, 2008

| | Business-type Activities | | | | | Total |
|---|--------------------------|----------------------|---------------------|-----------------------|----------------------------|-----------------------|
| | Enterprise Funds | | | | City School | |
| | Aviation | Water | Sewer | Total City | District - Food Service | |
| OPERATING REVENUES: | | | | | | |
| Charges for services | \$ - | \$ 16,137,468 | \$ 4,417,819 | \$ 20,555,287 | \$ 674,605 | \$ 21,229,892 |
| Federal and state sources | - | - | - | - | 7,228,728 | 7,228,728 |
| Landing fees | 5,580,840 | - | - | 5,580,840 | - | 5,580,840 |
| Parking rents | 6,479,460 | - | - | 6,479,460 | - | 6,479,460 |
| Terminal rents | 9,441,748 | - | - | 9,441,748 | - | 9,441,748 |
| Concession | 6,584,790 | - | - | 6,584,790 | - | 6,584,790 |
| Miscellaneous | 124,752 | 428,983 | - | 553,735 | - | 553,735 |
| Total operating revenues | <u>28,211,590</u> | <u>16,566,451</u> | <u>4,417,819</u> | <u>49,195,860</u> | <u>7,903,333</u> | <u>57,099,193</u> |
| OPERATING EXPENSES: | | | | | | |
| Cost of sales and services | 10,398,094 | 13,247,104 | 4,354,935 | 28,000,133 | 9,418,721 | 37,418,854 |
| Administration | 12,842,385 | 373,143 | 8,941 | 13,224,469 | 302,534 | 13,527,003 |
| Depreciation | 10,735,349 | 920,807 | 653,927 | 12,310,083 | 54,064 | 12,364,147 |
| Uncollectible accounts | 5,993 | - | - | 5,993 | - | 5,993 |
| Total operating expenses | <u>33,981,821</u> | <u>14,541,054</u> | <u>5,017,803</u> | <u>53,540,678</u> | <u>9,775,319</u> | <u>63,315,997</u> |
| NET OPERATING INCOME (LOSS) | <u>(5,770,231)</u> | <u>2,025,397</u> | <u>(599,984)</u> | <u>(4,344,818)</u> | <u>(1,871,986)</u> | <u>(6,216,804)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Sales tax | - | 50,000 | - | 50,000 | - | 50,000 |
| Grants received | 1,106,869 | 369,519 | - | 1,476,388 | - | 1,476,388 |
| Grant programs | (1,106,869) | - | - | (1,106,869) | - | (1,106,869) |
| Passenger facility charges | 4,805,894 | - | - | 4,805,894 | - | 4,805,894 |
| Donated commodities | - | - | - | - | 557,840 | 557,840 |
| Investment income | 1,267,346 | 104,519 | 121,126 | 1,492,991 | 361 | 1,493,352 |
| Interest expense | (1,509,286) | (337,785) | (250,463) | (2,097,534) | - | (2,097,534) |
| Total nonoperating revenues (expenses) net | <u>4,563,954</u> | <u>186,253</u> | <u>(129,337)</u> | <u>4,620,870</u> | <u>558,201</u> | <u>5,179,071</u> |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND OPERATING TRANSFERS | <u>(1,206,277)</u> | <u>2,211,650</u> | <u>(729,321)</u> | <u>276,052</u> | <u>(1,313,785)</u> | <u>(1,037,733)</u> |
| CAPITAL CONTRIBUTIONS | <u>5,144,065</u> | <u>-</u> | <u>-</u> | <u>5,144,065</u> | <u>-</u> | <u>5,144,065</u> |
| OPERATING TRANSFERS OUT | <u>-</u> | <u>(800,000)</u> | <u>-</u> | <u>(800,000)</u> | <u>-</u> | <u>(800,000)</u> |
| CHANGE IN NET ASSETS | <u>3,937,788</u> | <u>1,411,650</u> | <u>(729,321)</u> | <u>4,620,117</u> | <u>(1,313,785)</u> | <u>3,306,332</u> |
| NET ASSETS AT BEGINNING OF YEAR | <u>115,367,310</u> | <u>12,325,841</u> | <u>6,689,320</u> | <u>134,382,471</u> | <u>35,694</u> | <u>134,418,165</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 119,305,098</u> | <u>\$ 13,737,491</u> | <u>\$ 5,959,999</u> | <u>\$ 139,002,588</u> | <u>\$ (1,278,091)</u> | <u>\$ 137,724,497</u> |

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

CITY OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

| | Business-type Activities | | | | | Total |
|--|-----------------------------|----------------------------|----------------------------|-----------------------------|---|-----------------------------|
| | Enterprise Funds | | | | | |
| | Aviation | Water | Sewer | Total - City | City School District - Food Service | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Receipts from customers | \$ 29,046,064 | \$ 16,265,753 | \$ 4,422,650 | \$ 49,734,467 | \$ 674,605 | \$ 50,409,072 |
| Receipts from federal and state sources | - | - | - | - | 6,227,766 | 6,227,766 |
| Payments to vendors | (15,573,569) | (5,930,094) | (1,515,416) | (23,019,079) | (2,239,419) | (25,258,498) |
| Payments to employees | (3,750,295) | (4,637,856) | (1,907,385) | (10,295,536) | (4,622,095) | (14,917,631) |
| Internal activity-receipts and (payments) with other funds - net | 58,345 | - | - | 58,345 | - | 58,345 |
| Claims paid | (1,014,314) | (1,378,026) | (600,207) | (2,992,547) | - | (2,992,547) |
| Net cash provided by operating activities | <u>8,766,231</u> | <u>4,319,777</u> | <u>399,642</u> | <u>13,485,650</u> | <u>40,857</u> | <u>13,526,507</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Operating subsidies and transfers to other funds | - | (800,000) | - | (800,000) | - | (800,000) |
| Payments from other governments | - | 369,519 | - | 369,519 | 316 | 369,835 |
| Net cash provided by (utilized in) noncapital financing activities | <u>-</u> | <u>(430,481)</u> | <u>-</u> | <u>(430,481)</u> | <u>316</u> | <u>(430,165)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Proceeds from capital debt | 3,111,000 | 5,172,811 | - | 8,283,811 | - | 8,283,811 |
| Capital contributions | 6,439,920 | - | - | 6,439,920 | - | 6,439,920 |
| Purchases of capital assets | (9,181,495) | (5,549,968) | (588,216) | (15,319,679) | (41,534) | (15,361,213) |
| Principal paid on capital debt | (4,897,287) | (1,457,175) | (486,100) | (6,840,562) | - | (6,840,562) |
| Interest paid on capital debt | (1,870,969) | (345,996) | (254,987) | (2,471,952) | - | (2,471,952) |
| Other receipts | 4,913,717 | 50,000 | - | 4,963,717 | - | 4,963,717 |
| Net cash utilized in capital and related financing activities | <u>(1,485,114)</u> | <u>(2,130,328)</u> | <u>(1,329,303)</u> | <u>(4,944,745)</u> | <u>(41,534)</u> | <u>(4,986,279)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Interest and dividends received | - | - | - | - | - | - |
| Net cash provided by investing activities | <u>1,267,346</u> | <u>104,519</u> | <u>121,128</u> | <u>1,492,993</u> | <u>361</u> | <u>1,493,354</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,548,463 | 1,863,487 | (808,533) | 9,603,417 | - | 9,603,417 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 37,203,330 | 4,903,618 | 3,577,470 | 45,684,418 | - | 45,684,418 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 45,751,793</u> | <u>\$ 6,767,105</u> | <u>\$ 2,768,937</u> | <u>\$ 55,287,835</u> | <u>\$ -</u> | <u>\$ 55,287,835</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ (5,770,231) | \$ 2,025,397 | \$ (599,984) | \$ (4,344,818) | \$ (1,871,986) | \$ (6,216,804) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | | |
| Depreciation expense | 10,735,349 | 920,807 | 653,927 | 12,310,083 | 54,064 | 12,364,147 |
| Uncollectible accounts | 5,993 | - | - | 5,993 | - | 5,993 |
| Change in assets and liabilities: | | | | | | |
| Accounts receivable | 894,975 | (292,461) | 4,832 | 607,346 | - | 607,346 |
| Deferred charges | 142,457 | (189,734) | (30,372) | (77,649) | - | (77,649) |
| Due to other funds | 58,345 | (60,909) | - | (2,564) | 1,119,649 | 1,117,085 |
| Due to component units | (16,261) | 46,772 | - | 30,511 | - | 30,511 |
| Due from other governments | - | (326,018) | - | (326,018) | (1,000,962) | (1,326,980) |
| Inventories | - | - | - | - | 554,692 | 554,692 |
| Prepaid expenses | 45,060 | - | - | 45,060 | - | 45,060 |
| Accounts payable and accrued expenses | 1,162,175 | (534,466) | (457,822) | 169,887 | 76,721 | 246,608 |
| Amounts due to retirement systems | (188,795) | (17,393) | (5,676) | (211,864) | (11,958) | (223,822) |
| Self-insurance claims | 1,772,643 | 2,441,664 | 835,505 | 5,049,812 | 1,114,622 | 6,164,434 |
| Accrued compensated absences | (14,978) | (11,663) | (768) | (27,409) | 6,015 | (21,394) |
| Deferred revenue | (60,501) | 317,781 | - | 257,280 | - | 257,280 |
| Net cash provided by operating activities | <u>\$ 8,766,231</u> | <u>\$ 4,319,777</u> | <u>\$ 399,642</u> | <u>\$ 13,485,650</u> | <u>\$ 40,857</u> | <u>\$ 13,526,507</u> |

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

CITY OF SYRACUSE, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended June 30, 2008 the Aviation Fund incurred accretion of \$334,573 (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:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|-------------------------|----------------------|----------------------|----------------------|
| Beginning 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 beginning of year | <u>\$ 22,211,573</u> | <u>\$ 23,472,845</u> | <u>\$ 45,684,418</u> |
| End of Year: | | | |
| Aviation Fund | \$ 28,067,926 | \$ 17,683,867 | \$ 45,751,793 |
| Water Fund | 25,311 | 6,741,794 | 6,767,105 |
| Sewer Fund | 2,290,249 | 478,688 | 2,768,937 |
| Total end of year | <u>\$ 30,383,486</u> | <u>\$ 24,904,349</u> | <u>\$ 55,287,835</u> |

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, 2008

| | City | | | | | | | | | | | | | |
|---|-------------------------|---------------------------|--------------------------------|--------------------------------|--------------|--------------|------------|-------------|----------------------|-------------------------------|----|-----------|----|-------------|
| | Pension Trust Funds | | Private Purpose Funds | | | Agency Funds | | Total City | | Combined City School District | | Total | | |
| | Local Fire Pension Fund | Local Police Pension Fund | Coca Cola & Mayor's Round Ball | Coca Cola & Mayor's Round Ball | Agency Funds | Agency Funds | Total City | Total City | City School District | City School District | | | | |
| ASSETS: | | | | | | | | | | | | | | |
| Pooled restricted cash and cash equivalents | \$ | - | \$ | 249,393 | \$ | 10,703 | \$ | 53,468,620 | \$ | 53,728,716 | \$ | - | \$ | 53,728,716 |
| Restricted cash | | | | | | | | | | | | 1,076,989 | | 1,076,989 |
| Taxes receivable | | | | | | | | 47,769,766 | | 47,769,766 | | | | 47,769,766 |
| Other assets | | | | 10,214 | | | | | | 10,214 | | | | 10,214 |
| Due from other funds | | | | | | | | | | | | 452,450 | | 452,450 |
| TOTAL ASSETS | | | | 259,607 | | 10,703 | | 101,238,386 | | 101,508,696 | | 1,529,439 | | 103,038,135 |
| LIABILITIES: | | | | | | | | | | | | | | |
| Accounts payable and accrued expenditures | | | | | | 54 | | 1,920 | | 1,974 | | | | 1,974 |
| Due to other funds | | | | | | | | 51,602,832 | | 51,602,832 | | | | 51,602,832 |
| Due to other governments | | | | | | | | 809,577 | | 809,577 | | | | 809,577 |
| Deferred revenue | | | | | | | | 47,769,766 | | 47,769,766 | | | | 47,769,766 |
| Other liabilities | | | | | | | | 1,054,291 | | 1,054,291 | | 1,403,433 | | 2,457,724 |
| TOTAL LIABILITIES | | | | | | 54 | | 101,238,386 | | 101,238,440 | | 1,403,433 | | 102,641,873 |
| NET ASSETS: | | | | | | | | | | | | | | |
| Held in trust | | | | 259,607 | | 10,649 | | - | | 270,256 | | 126,006 | | 396,262 |

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, 2008

| | Pension Trust Funds | | Private Purpose Funds | | Total City | Combined City School District | Total |
|---------------------------------|-------------------------|---------------------------|-----------------------|-------------|------------|-------------------------------|------------|
| | Local Fire Pension Fund | Local Police Pension Fund | Mayor's Round Ball | Coca Cola & | | | |
| ADDITIONS: | | | | | | | |
| Contributions | \$ - | \$ - | \$ 19,791 | \$ 19,791 | \$ 19,791 | \$ 8,912 | \$ 28,703 |
| Local sources and other | - | 83,354 | - | - | 83,354 | - | 83,354 |
| Total additions | - | 83,354 | 19,791 | - | 103,145 | 8,912 | 112,057 |
| DEDUCTIONS: | | | | | | | |
| Payments to pensioners | | 5,484 | - | - | 5,484 | - | 5,484 |
| Scholarships and awards | - | - | 1,375 | - | 1,375 | 6,600 | 7,975 |
| Other expenses | 28,782 | - | 32,408 | - | 61,190 | - | 61,190 |
| Total deductions | 28,782 | 5,484 | 33,783 | - | 68,049 | 6,600 | 74,649 |
| CHANGE IN NET ASSETS | (28,782) | 77,870 | (13,992) | - | 35,096 | 2,312 | 37,408 |
| NET ASSETS AT BEGINNING OF YEAR | 28,782 | 181,737 | 24,641 | - | 235,160 | 123,694 | 358,854 |
| NET ASSETS AT END OF YEAR | \$ - | \$ 259,607 | \$ 10,649 | \$ - | \$ 270,256 | \$ 126,006 | \$ 396,262 |

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, 2008

| | Syracuse Industrial Development Agency | Syracuse Economic Development Corporation | Syracuse Urban Renewal Agency | Total |
|---|---|--|--|----------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 18,351,631 | \$ 2,421,695 | \$ 447,995 | \$ 21,221,321 |
| Other receivables | 612,366 | 95,661 | - | 708,027 |
| Loans receivable-current portion | 832,306 | 585,905 | - | 1,418,211 |
| Interest receivable | 258,242 | 4,773 | - | 263,015 |
| Due from other governments | - | - | 76,602 | 76,602 |
| Due from primary government | - | - | 1,485,615 | 1,485,615 |
| Other assets | 737,160 | - | - | 737,160 |
| Loans receivable - long-term portion | 7,932,556 | 3,312,686 | - | 11,245,242 |
| Capital assets: | | | | |
| Nondepreciable | 50,000 | 3,438,142 | 56,964 | 3,545,106 |
| Depreciable, net | 1,238,741 | 13,400,961 | 12,952 | 14,652,654 |
| TOTAL ASSETS | \$ 30,013,002 | \$ 23,259,823 | \$ 2,080,128 | \$ 55,352,953 |
| LIABILITIES: | | | | |
| Accounts payable and accrued expenses | \$ 1,362,441 | \$ 496,881 | \$ - | \$ 1,859,322 |
| Accrued interest expense | 345,829 | 462,802 | - | 808,631 |
| Due to other governments | - | - | 9,261 | 9,261 |
| Due to primary government | 347,842 | 176,062 | 469,454 | 993,358 |
| Non-current liabilities: | | | | |
| Due within one year | 1,571,000 | 6,028,645 | - | 7,599,645 |
| Due within more than one year | 13,639,000 | 9,682,396 | - | 23,321,396 |
| Due to primary government - long-term portion | 1,694,236 | 3,732,311 | - | 5,426,547 |
| Total liabilities | 18,960,348 | 20,579,097 | 478,715 | 40,018,160 |
| NET ASSETS: | | | | |
| Invested in capital assets | (349,344) | - | 69,916 | (279,428) |
| Restricted for Lakefront Development programs | 5,400,000 | - | - | 5,400,000 |
| Restricted for Urban Development Action Grant | - | 674,018 | - | 674,018 |
| Restricted for loan programs | 290,277 | - | - | 290,277 |
| Unrestricted | 5,711,721 | 2,006,708 | 1,531,497 | 9,249,926 |
| Total net assets | 11,052,654 | 2,680,726 | 1,601,413 | 15,334,793 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 30,013,002 | \$ 23,259,823 | \$ 2,080,128 | \$ 55,352,953 |

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, 2008

| | Syracuse Industrial Development Agency | Syracuse Economic Development Corporation | Syracuse Urban Renewal Agency | Total |
|---|---|--|--|----------------------|
| EXPENSES: | | | | |
| Destiny USA Fee to City of Syracuse and Onondaga County | \$ 11,000,000.00 | \$ - | \$ - | \$ 11,000,000.00 |
| Economic Development | 544,787.00 | 230,072.00 | 391 | 775,250.00 |
| Development projects | 899,287 | - | - | 899,287 |
| Loan programs | 3,949,834 | - | - | 3,949,834 |
| Parking garage | 245,652 | - | - | 245,652 |
| Rental of real property | - | 2,329,009 | - | 2,329,009 |
| Total expenses | \$ 16,639,560 | \$ 2,559,081 | \$ 391 | \$ 19,199,032 |
| PROGRAM REVENUE: | | | | |
| Charges for services | \$ 18,122,553 | \$ 1,494,735 | \$ - | \$ 19,617,288 |
| Operating grants | 855,000 | 65,000 | - | 920,000 |
| Total program revenue | 18,977,553 | 1,559,735 | - | 20,537,288 |
| NET PROGRAM REVENUE | 2,337,993 | (999,346) | (391) | 1,338,256 |
| GENERAL REVENUE: | | | | |
| Property taxes | 832,127 | - | - | 832,127 |
| Investment earnings | 720,055 | 110,064 | 463 | 830,582 |
| Miscellaneous | 152,680 | 59,150 | 1,255,500 | 1,467,330 |
| Total general revenue | 1,704,862 | 169,214 | 1,255,963 | 3,130,039 |
| CHANGES IN NET ASSETS | 4,042,855 | (830,132) | 1,255,572 | 4,468,295 |
| NET ASSETS AT BEGINNING OF YEAR | 7,009,799 | 3,510,858 | 345,841 | 10,866,498 |
| NET ASSETS AT END OF YEAR | \$ 11,052,654 | \$ 2,680,726 | \$ 1,601,413 | \$ 15,334,793 |

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

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 139,000 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. For the year ended June 30, 2008, the City has applied GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

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

(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 present financial information about the reporting government as a whole. They include all funds of the reporting entity except those that are fiduciary. 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.

Joint School Construction Board (JSCB) Fund

The JSCB fund, which is a fund of the District, is used to account for transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The JSCB is authorized to act as an agent to enter into contracts on behalf of the District and the Common Council of the City of Syracuse, New York (the Council) for the construction of new educational facilities in accordance with applicable state and local laws.

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 expenses 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.
- Joint School Construction Board (JSCB) 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 9th, 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 8th.

(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 commodities, 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 an estimated useful life in excess of two 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.

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, 2008 amounted to \$677,515.

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 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 \$4,136,732 at June 30, 2008 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, 2008, 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, 2008 were \$17,322,103 and \$6,777,019, 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 8% of the agreements are expired and are in negotiations and 3% expire in one year or less. The remaining 89% 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 2007/2008 City School District budget specifically designates the use of \$15,933,148 for future years use and technology. The City's 2007/2008 budget specifically designates \$18,850,973 and \$1,000,000 of fund balance for future budget years for the General Fund and Water Fund, respectively.

S. Deficit Fund Balance

The Oil and Flushing Fund, a nonmajor special revenue fund, has a deficit fund balance of \$133,129.

(Continued)

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

T. 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. 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 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 \$215,755,087 and the bank balance was \$219,436,176. As of June 30, 2008 all deposits were insured or collateralized.

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Balance at June 30, 2007 | Increases | Decreases | Balance at June 30, 2008 |
|---|-----------------------------|-----------------------|-------------------------|-----------------------------|
| Governmental activities: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 16,190,934 | \$ - | \$ - | \$ 16,190,934 |
| Construction in progress | <u>79,429,459</u> | <u>20,795,063</u> | <u>(24,817,819)</u> | <u>75,406,703</u> |
| Subtotal | <u>95,620,393</u> | <u>20,795,063</u> | <u>(24,817,819)</u> | <u>91,597,637</u> |
| Other capital assets: | | | | |
| Buildings | 321,424,957 | 16,114,872 | - | 337,539,829 |
| Machinery and equipment | 88,605,925 | 5,245,542 | (2,140,033) | 91,711,434 |
| Improvements/infrastructure | <u>301,569,202</u> | <u>8,515,040</u> | <u>-</u> | <u>310,084,242</u> |
| Subtotal | <u>711,600,084</u> | <u>29,875,454</u> | <u>(2,140,033)</u> | <u>739,335,505</u> |
| Total capital assets | <u>807,220,477</u> | <u>50,670,517</u> | <u>(26,957,852)</u> | <u>830,933,142</u> |
| Accumulated depreciation: | | | | |
| Buildings | 224,982,888 | 9,298,510 | - | 234,281,398 |
| Machinery and equipment | 54,705,069 | 7,738,624 | (1,867,276) | 60,576,417 |
| Improvements/infrastructure | <u>165,292,581</u> | <u>12,708,532</u> | <u>-</u> | <u>178,001,113</u> |
| Total | <u>444,980,538</u> | <u>29,745,666</u> | <u>(1,867,276)</u> | <u>472,858,928</u> |
| Net capital assets - governmental activities | <u>\$362,239,939</u> | <u>\$20,924,851</u> | <u>\$(25,090,576)</u> | <u>\$358,074,214</u> |

Depreciation was charged to activities as follows:

Governmental activities:

| | |
|---|--------------------------|
| General government support | \$ 2,451,396 |
| Police department | 941,137 |
| Fire department | 1,438,570 |
| Other public safety | 1,683 |
| Transportation | 13,648,856 |
| Culture and recreation | 1,522,628 |
| Home and community services | 468,917 |
| Education | <u>9,272,479</u> |
| Total governmental activities depreciation expense | <u>\$ 29,745,666</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

3. CAPITAL ASSETS AND DEPRECIATION (CONT'D)

| | Balance at June 30, 2007 | Increases | Decreases | Balance at June 30, 2008 |
|--|-----------------------------|---------------------|-----------------------|-----------------------------|
| Business-type activities: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 3,055,515 | \$ 2,330,918 | \$ - | \$ 5,386,433 |
| Construction in progress | <u>17,441,221</u> | <u>16,409,126</u> | <u>(15,967,334)</u> | <u>17,883,013</u> |
| Subtotal | <u>20,496,736</u> | <u>18,740,044</u> | <u>(15,967,334)</u> | <u>23,269,446</u> |
| Other capital assets: | | | | |
| Buildings | 104,859,419 | 813,895 | - | 105,673,314 |
| Machinery and equipment | 23,768,447 | 1,294,661 | (116,344) | 24,946,764 |
| Improvements/infrastructure | <u>166,251,084</u> | <u>8,944,579</u> | <u>-</u> | <u>175,195,663</u> |
| Subtotal | <u>294,878,950</u> | <u>11,053,135</u> | <u>(116,344)</u> | <u>305,815,741</u> |
| Total capital assets | <u>315,375,686</u> | <u>29,793,179</u> | <u>(16,083,678)</u> | <u>329,085,187</u> |
| Accumulated depreciation: | | | | |
| Buildings | 69,987,442 | 3,866,493 | - | 73,853,935 |
| Machinery and equipment | 17,505,078 | 1,993,457 | (116,344) | 19,382,191 |
| Improvements/infrastructure | <u>71,038,004</u> | <u>6,504,197</u> | <u>-</u> | <u>77,542,201</u> |
| Total | <u>158,530,524</u> | <u>12,364,147</u> | <u>(116,344)</u> | <u>170,778,327</u> |
| Net capital assets - business-type activities | <u>\$156,845,162</u> | <u>\$17,429,032</u> | <u>\$(15,967,334)</u> | <u>\$158,306,860</u> |

Depreciation was charged to activities as follows:

Business-type activities:

| | |
|--|----------------------|
| Aviation | \$ 10,735,349 |
| Water | 920,807 |
| Sewer | 653,927 |
| Food Service | <u>54,064</u> |
| Total business-type activities depreciation expense | <u>\$ 12,364,147</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 3.13% to 6.37% with maturity dates through fiscal 2030.

During the year ended June 30, 2008, the City issued general obligation bonds of \$21,176,050. These bonds are to be used for capital projects. In addition, the Syracuse Industrial Development Agency issued school facility revenue bonds, on behalf of the JSCB, totaling \$49,230,000. These bond proceeds are to be used for the construction of new educational facilities (See Note 12).

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008:

| | Balance at June 30, 2007 | Additions | Reductions | Balance at June 30, 2008 | Amount due within one year |
|---|-----------------------------|-----------------------|-----------------------|-----------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Bonds notes and capital lease obligations | | | | | |
| General obligation bonds payable | \$ 241,893,556 | \$ 21,176,050 | \$ 22,949,263 | \$ 240,120,343 | \$ 24,948,539 |
| School facility revenue bonds | - | 49,230,000 | - | 49,230,000 | - |
| Revenue anticipation notes payable | 34,000,000 | 75,000,000 | 109,000,000 | - | - |
| Capital lease obligations | <u>232,274</u> | <u>-</u> | <u>113,285</u> | <u>118,989</u> | <u>118,989</u> |
| Total bonds, notes payable and capital lease obligations | <u>276,125,830</u> | <u>145,406,050</u> | <u>132,062,548</u> | <u>289,469,332</u> | <u>25,067,528</u> |
| Other liabilities: | | | | | |
| Amount due to retirement systems | 28,120,730 | 29,069,570 | 31,057,141 | 26,133,159 | 20,235,533 |
| Accrued compensated absences | 18,177,168 | 12,147,404 | 10,623,556 | 19,701,016 | 9,050,341 |
| Self-insurance claims | 28,728,229 | 91,647,877 | 78,624,079 | 41,752,027 | 9,592,791 |
| Other postemployment benefits | - | 92,172,899 | - | 92,172,899 | - |
| Judgments and claims | 3,000,000 | 296,388 | 296,388 | 3,000,000 | 750,000 |
| Environmental remediation | 11,727,733 | 351,832 | - | 12,079,565 | - |
| Lottery aid payable | <u>23,016,667</u> | <u>6,000,000</u> | <u>816,667</u> | <u>28,200,000</u> | <u>1,116,666</u> |
| Total other liabilities | <u>112,770,527</u> | <u>231,685,970</u> | <u>121,417,831</u> | <u>223,038,666</u> | <u>40,745,331</u> |
| Governmental activities long-term liabilities | <u>\$ 388,896,357</u> | <u>\$ 377,092,020</u> | <u>\$ 253,480,379</u> | <u>\$ 512,507,998</u> | <u>\$ 65,812,859</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 obligation, which is paid by the Capital Projects fund (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, 2007 | Additions | Reductions | Balance at June 30, 2008 | Amount due within one year |
|---|-----------------------------|----------------------|----------------------|-----------------------------|-------------------------------|
| Business-Type Activities: | | | | | |
| Bonds and note payable: | | | | | |
| General obligation bonds payable | \$ 61,311,107 | \$ 1,000,000 | \$ 5,177,692 | \$ 57,133,415 | \$ 5,469,047 |
| Construction notes payable | - | 4,172,811 | - | 4,172,811 | - |
| Bond anticipation notes payable | 1,628,000 | 3,111,000 | 1,628,000 | 3,111,000 | 3,111,000 |
| Capital lease obligation | 337,499 | - | 34,870 | 302,629 | 36,388 |
| Total bonds and notes payable | <u>63,276,606</u> | <u>8,283,811</u> | <u>6,840,562</u> | <u>64,719,855</u> | <u>8,616,435</u> |
| Other liabilities: | | | | | |
| Amount due to retirement systems | 563,031 | 1,169,998 | 1,393,821 | 339,208 | 158,024 |
| Accrued compensated absences | 741,601 | 676,254 | 697,648 | 720,207 | 353,390 |
| Self-insurance claims | 1,923,692 | 4,113,544 | 3,607,413 | 2,429,823 | 880,761 |
| Other postemployment benefits | - | 5,658,304 | - | 5,658,304 | - |
| Total other liabilities | <u>3,228,324</u> | <u>11,618,100</u> | <u>5,698,882</u> | <u>9,147,542</u> | <u>1,392,175</u> |
| Business-type activities long term liabilities | <u>\$ 66,504,930</u> | <u>\$ 19,901,911</u> | <u>\$ 12,539,444</u> | <u>\$ 73,867,397</u> | <u>\$ 10,008,610</u> |

Construction Notes Payable

The State has made available to the City loans from the New York State Environmental Facilities Corporation in the amount of \$40,000,000 of which \$4,172,811 is outstanding at June 30, 2008. The note is non-interest bearing and an interim payment of \$208,640 is due September 2009. The note will be refinanced with permanent subsidized bonds prior to maturity.

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

4. CAPITAL INDEBTEDNESS (CONT'D)

Summary of Debt Service on Bonds to Maturity

As of June 30, 2008, amounts due to service general obligation and school facility revenue bonds payable principal and interest in future years are as follows:

| Year Ending June 30, | <u>Governmental Activities</u> | | <u>Business-type activities</u> | | Total |
|-------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | |
| 2009 | \$ 24,948,539 | \$ 12,498,690 | \$ 5,469,047 | \$ 2,495,432 | \$ 45,411,708 |
| 2010 | 25,356,810 | 11,264,688 | 6,049,228 | 2,257,761 | 44,928,487 |
| 2011 | 24,912,768 | 10,249,659 | 5,227,237 | 2,010,066 | 42,399,730 |
| 2012 | 22,099,422 | 9,238,178 | 5,275,577 | 1,783,013 | 38,396,190 |
| 2013 | 22,460,864 | 8,346,519 | 5,379,130 | 1,553,854 | 37,740,367 |
| 2014-2018 | 86,984,457 | 28,816,580 | 19,280,640 | 4,455,120 | 139,536,797 |
| 2019-2023 | 53,518,135 | 13,266,710 | 7,031,867 | 1,559,226 | 75,375,938 |
| 2024-2028 | 28,408,991 | 3,608,416 | 3,420,689 | 325,280 | 35,763,376 |
| 2029-2030 | 660,357 | 128,525 | - | - | 788,882 |
| TOTALS | \$ 289,350,343 | \$ 97,417,965 | \$ 57,133,415 | \$ 16,439,752 | \$ 460,341,475 |

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.

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

4. CAPITAL INDEBTEDNESS (CONT'D)

Short-term Debt (Cont'd)

Short-term debt activity for the year ended June 30, 2008:

| | <u>Balance at June 30, 2007</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at June 30, 2008</u> |
|----------------------------|-------------------------------------|------------------|-------------------|-------------------------------------|
| Governmental Activities: | | | | |
| Revenue anticipation notes | \$ 34,000,000 | \$ 75,000,000 | \$ 109,000,000 | \$ - |
| Business-type Activities: | | | | |
| Bond anticipation notes | \$ 1,628,000 | \$ 3,111,000 | \$ 1,628,000 | \$ 3,111,000 |

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, 2008 under non-cancelable operating leases were as follows:

| <u>YEAR ENDING JUNE 30,</u> | <u>AMOUNT</u> |
|---------------------------------|---------------------|
| 2009 | \$ 4,422,142 |
| 2010 | 4,259,513 |
| 2011 | 4,235,843 |
| 2012 | 4,205,988 |
| 2013 | 1,985,729 |
| Thereafter | <u>10,903,574</u> |
| TOTAL | <u>\$30,012,789</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008 were approximately \$1,380,000. The minimum future non-cancelable operating lease payments were as follows as of June 30, 2008:

| YEAR ENDING JUNE 30, | AMOUNT |
|-------------------------|---------------------|
| 2009 | \$ 1,323,748 |
| 2010 | 997,639 |
| 2011 | 690,533 |
| 2012 | <u>23,545</u> |
| TOTAL | <u>\$ 3,035,465</u> |

The City leases a parking garage from a component unit. In addition the City leases equipment and property from unrelated entities. Total rental expenditures on these leases for the fiscal year ended June 30, 2008 were approximately \$1,429,000. Future minimum lease payments for these non-cancelable operating leases were as follows as of June 30, 2008:

| YEAR ENDING JUNE 30, | AMOUNT |
|-------------------------|----------------------|
| 2009 | \$ 1,554,327 |
| 2010 | 1,513,042 |
| 2011 | 1,548,317 |
| 2012 | 1,515,960 |
| 2013 | 1,491,601 |
| Thereafter | <u>10,448,928</u> |
| TOTAL | <u>\$ 18,072,175</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 \$47,010,440 and are included in the transportation activity. Future minimum lease payments due to the City as of June 30, 2008 under non-cancelable operating leases were as follows:

| YEAR ENDING JUNE 30, | AMOUNT |
|-------------------------|----------------------|
| 2009 | \$ 1,453,837 |
| 2010 | 1,334,638 |
| 2011 | 1,338,131 |
| 2012 | 1,360,936 |
| 2013 | 1,233,472 |
| Thereafter | 9,470,170 |
| TOTAL | <u>\$ 16,191,184</u> |

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 \$265,494. 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, 2008.

| Year ending June 30, | <u>Governmental Activities</u> | <u>Business -Type Activities</u> |
|--|------------------------------------|--------------------------------------|
| 2009 | \$ 124,980 | \$ 48,600 |
| 2010 | - | 48,600 |
| 2011 | - | 48,600 |
| 2012 | - | 48,600 |
| 2013 | - | 48,600 |
| Thereafter | - | <u>106,526</u> |
| Minimum lease payments - capital leases | 124,980 | 349,526 |
| Less: Amounts representing interest between 5% and 8.5% per annum | <u>(5,991)</u> | <u>(46,897)</u> |
| Present value - minimum lease payments | <u>\$ 118,989</u> | <u>\$ 302,629</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008:

| | <u>AMOUNT</u> <u>RECEIVABLE</u> | <u>AMOUNT</u> <u>PAYABLE</u> |
|---------------------------------|------------------------------------|---------------------------------|
| General Fund | \$ 3,478,969 | \$ 1,402 |
| City School District | 45,948,616 | 10,205,683 |
| Community Development | 1,402 | 85,657 |
| Capital Projects Fund | 14,493,569 | 2,944,519 |
| Joint School Construction Board | - | 147,517 |
| Proprietary Funds: | | |
| Aviation | 575,250 | 2,577,883 |
| Food Service | - | 1,149,254 |
| Nonmajor governmental funds: | | |
| Debt Service | 4,579,843 | - |
| Special Grants | - | 721,676 |
| Oil and Flushing | - | 93,676 |
| Agency | <u>452,450</u> | <u>51,602,832</u> |
| Total | <u>\$ 69,530,099</u> | <u>\$ 69,530,099</u> |

The following schedule summarizes receivables and payables between the primary government and the component units at June 30, 2008:

| | <u>AMOUNT</u> <u>RECEIVABLE</u> | <u>AMOUNT</u> <u>PAYABLE</u> |
|-----------------------------|------------------------------------|---------------------------------|
| General Fund | \$ 4,036,107 | \$ 1,431,104 |
| Community Development | 743,313 | 223,880 |
| Proprietary Fund: | | |
| Water Fund | - | 46,772 |
| Nonmajor governmental fund: | | |
| Local Development | 1,695,211 | - |
| Special Grants | - | 10,029 |
| Component units: | | |
| SURA | 1,485,615 | 469,454 |
| SIDA | - | 1,932,563 |
| SEDCO | - | 3,846,444 |
| Total | <u>\$ 7,960,246</u> | <u>\$ 7,960,246</u> |

(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, 2008. The amounts due to and due from the primary government in the basic financial statement for SIDA and SEDCO are as of December 31, 2007. 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, 2008, which were routine in nature, were as follows:

| | Transfers <u>In</u> | Transfers <u>Out</u> |
|------------------------|------------------------|-------------------------|
| General Fund | \$ 800,000 | \$ 19,547,361 |
| Capital Projects Fund | 3,936,000 | 1,575,264 |
| Special revenue funds: | | |
| City School District | 3,386,086 | 18,623,066 |
| Oil and Flushing | - | 184,308 |
| Debt Service Fund | 32,613,913 | - |
| Miscellaneous Trusts | - | 6,000 |
| Proprietary fund: | | |
| Water | - | 800,000 |
| Total | <u>\$ 40,735,999</u> | <u>\$ 40,735,999</u> |

(Continued)

CITY OF SYRACUSE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

9. RETIREMENT BENEFITS

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

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

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

ERS and PFRS:

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

TRS:

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

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

| | <u>TRS</u> | <u>ERS</u> | <u>PFRS</u> |
|---------------|---------------|--------------|---------------|
| June 30, 2008 | \$ 15,899,162 | \$ 6,277,641 | \$ 11,504,241 |
| June 30, 2007 | 16,683,713 | 7,074,340 | 7,848,021 |
| June 30, 2006 | 14,173,919 | 6,701,245 | 10,954,316 |

These contributions were 100% of the contributions required.

(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, 2008, \$5,483 was paid by the City's Fiduciary Pension Trust Fund. On June 30, 2008, 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.

11. POSTEMPLOYMENT BENEFITS

During the year ended June 30, 2008 the City adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, on a prospective basis. In the past, the City reported the cost of retiree benefits on a pay-as-you-go basis.

Plan Description

The City provides OPEB to its employees under a single-employer, self-insured benefit plan. The plan provides medical and prescription drug coverage to retirees and their covered dependents. The financial information for the City's plan is contained solely within these basic financial statements.

Funding Policy

The contributions requirements of the members are established by the various unions. The requirements may be re-negotiated in future bargaining agreements. Contribution requirements are established on an annual premium equivalent rate calculated by a third party administrator based on a projected pay-as-you-go financing requirement. For the year ended June 30, 2008, the City contributed approximately \$19,498,000 for the total cost of the plan. The District contributed approximately \$12,600,000. The members receiving benefits contributed approximately \$4,300,000 for the City and \$1,400,000 for the District. The table below shows the required contribution rates for the various bargaining units.

(Continued)

11. POSTEMPLOYMENT BENEFITS (CONT'D)

Annual OPEB Cost and Net Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement NO. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and the amortized amount of any unfunded actuarially accrued liabilities (UAAL) over a period of thirty years. The following table shows the components of the City's and District's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City and District's net OPEB obligation.

| | <u>City</u> | <u>District</u> |
|--------------------------|----------------------|----------------------|
| Normal Cost | \$ 27,267,100 | \$ 30,022,793 |
| Amortization of the UAAL | <u>32,294,300</u> | <u>35,699,447</u> |
| Total ARC | 59,561,400 | 65,722,240 |
| Contributions | <u>19,498,000</u> | <u>13,612,741</u> |
| Net OPEB Obligation | <u>\$ 40,063,400</u> | <u>\$ 52,109,499</u> |

The percentage of annual OPEB costs contributed to the Plan was 33% and 21 % for the City and the District, respectively.

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial date, the City's actuarial accrued liability for benefits was \$812,620,800 and there were no plan assets. The covered payroll (annual payroll of active employees covered by the Plan) was \$90,839,700, and the ratio of the liability to the covered payroll was 895%.

As of July 1, 2007, the most recent actuarial date, the District's actuarial accrued liability for benefits was approximately \$657,000,000 and there were no plan assets. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$202,000,000 and the ratio of the liability to the covered payroll was 325 %.

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

(Continued)

11. POSTEMPLOYMENT BENEFITS (CONT'D)

Actuarial Methods and Assumptions

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

In the July 1, 2007 actuarial valuation the Projected Unit Credit Cost Method was used for both the City and the District. The actuarial assumptions include a 4% investment rate of return for both the City and the District, which is based on the portfolio of the City and District's general assets used to pay for these benefits. For the City, the annual medical and prescription cost trend is 10% initially, decreasing to 5% for all benefits after 5 years for both Pre-65 and Post-65 individuals. For the District, the annual medical trend for Pre-65 individuals is 9% and Post-65 individuals is 8.5% decreasing to 5% after 7 years for Post-65 individuals and 8 years for Pre-65 individuals. The prescription cost trend begins at 12% initially and decreases to 5% after 8 years. The UAAL is being amortized based on a level percentage of payroll. The remaining amortization period at June 30, 2008 is twenty-nine years.

12. JOINT SCHOOL CONSTRUCTION BOARD

The City of Syracuse, New York (the "City") and the City School District of Syracuse, New York (the "District" or "SCSD") entered into an agreement in April 2004 to create the Joint Schools Construction Board (JSCB). The JSCB will manage and administer the design, renovation and financing for existing public schools in the District. The JSCB reports to the Common Council and the District Board every 6 months on the status of projects. The JSCB will continue for 5 years and may be renewed for an additional 5 years.

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

(Continued)

12. JOINT SCHOOL CONSTRUCTION BOARD (CONT'D)

Financing of JSCB

In accordance with Chapter 58 Pt. A-4 of the Laws of 2006 of the State of New York pursuant to Indenture of Trusts (Series 2008 Project) between the SIDA (the Issuer) and M&T Trust Company (the Trustee), School Facility Revenue Bonds, Series 2008A, dated March 1, 2008, totaling \$49,230,000 were issued by the SIDA for the purpose of financing a portion of the cost of the project consisting of the design, reconstruction, rehabilitation, and equipping of certain existing school buildings for use by the District.

The series 2008A Bonds are special limited obligations of the issuer payable solely from (i) the payment of installment purchase payments by the SCSD and the City under the Installment Sale Agreement and (ii) the pledge of certain funds, including a bond fund and a debt service reserve fund, under the Indenture. In the event the SCSD and the City fail to make an installment purchase payment under the Installment Sale Agreement, it is provided in the Syracuse Schools Act and the Indenture that, upon receipts by the New York State Comptroller (the "State Comptroller") of a certificate from the Series 2008 Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any state and/or school aid payable to the SCSD or the City to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Series 2008 Trustee on behalf of the Issuer the amount withheld.

The obligation of the SCSD and the City under the Installment Sale Agreement to pay installment purchase payments is not a general obligation of the SCSD or the City and neither the faith and credit nor the taxing powers of the City is pledged to the payment of installment purchase payments under the Installment Sale Agreement. The obligation of the SCSD and the City under the Installment Sale Agreement to pay installment purchase payments in any fiscal year of the SCSD or the City constitutes a current expense of the SCSD for such fiscal year and shall not constitute an indebtedness or moral obligation of the SCSD, the City or the State within the meaning of any constitutional or statutory provision or other laws of the State. Except for the application of the debt service reserve fund, the only source of moneys available for the payment of the principal of and interest on the Series 2008A Bonds is installment purchase payments made by the SCSD and the City under the Installment Sale Agreement to the extent of State Aid to Education appropriated by the State and available to the SCSD and/or the City and appropriated by the City and the SCSD to make such payments, and the intercept by the State Comptroller of any other state and/or school aid payable to the City or the SCSD to the extent of any installment purchase deficiency. The Series 2008A Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon.

The District will be responsible for the maintenance and operation of the Series 2008 facility.

(Continued)

12. JOINT SCHOOL CONSTRUCTION BOARD (CONT'D)

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

13. 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. In addition, there are other matters pending. 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, 2008, the District recorded a long-term liability of \$12,079,565 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, 2008.

The District has a potential liability for the overbilling of tuition to other Districts for students in attendance at Elmcrest Children's Center. It is uncertain if the districts involved are entitled to or will seek restitution. As such any liability relating to this contingency cannot be determined at June 30, 2008.

14. SUBSEQUENT EVENTS

In September 2008 the District received \$75,000,000 of proceeds from the issuance of Revenue Anticipation Notes to cover an expected cash flow shortage due to the timing of cash receipts from all sources.

In September 2008 the City received \$16,200,000 from the issuance of Revenue Anticipation Notes to cover an expected cash flow shortage due to the timing of cash receipts from all sources.

In December 2008 the City issued Bond Anticipation Notes of \$1,000,000 for the Aviation Fund.

(Continued)

14. SUBSEQUENT EVENTS (CONT'D)

In January 2009 the City obtained \$32,100,000 in financing from the New York State Environmental Facilities Corporation. The funds will be used to finance projects in the Water Fund.

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, 2008

| | General Fund | | | | Special Revenue Fund - City School District | | | |
|---|-----------------------|-----------------------|----------------------|----------------------------|--|-----------------------|---------------------|----------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| | | | | Favorable (Unfavorable) | | | | Favorable (Unfavorable) |
| REVENUES: | | | | | | | | |
| General property taxes and tax items | \$ 29,464,567 | \$ 29,464,567 | \$ 30,751,312 | \$ 1,286,745 | \$ 54,845,612 | \$ 54,845,612 | \$ 55,127,749 | \$ 282,137 |
| Sales tax and use taxes | 63,902,537 | 63,902,537 | 64,880,700 | 978,163 | 4,199,607 | 4,199,607 | 4,326,100 | 126,493 |
| Other local taxes | 3,779,592 | 3,779,592 | 3,846,655 | 67,063 | - | - | - | - |
| Departmental revenues | 9,358,329 | 9,871,519 | 10,494,931 | 623,412 | - | - | - | - |
| Intergovernmental charges | 373,726 | 373,726 | 292,711 | (81,015) | - | - | - | - |
| Licenses and permits | 2,335,920 | 2,335,920 | 1,754,718 | (581,202) | - | - | - | - |
| Fines and forfeitures | 2,199,536 | 2,199,536 | 3,124,934 | 925,398 | - | - | - | - |
| Sale of property and compensation for loss | 293,551 | 2,143,551 | 2,969,001 | 825,450 | 3,600 | 3,600 | 40,129 | 36,529 |
| Use of money and property | 1,455,376 | 1,455,376 | 1,767,928 | 312,552 | 1,431,000 | 1,431,000 | 2,476,011 | 1,045,011 |
| Federal and state aid and other grants | 80,887,949 | 80,887,949 | 80,975,483 | 87,534 | 318,247,605 | 319,347,605 | 313,352,870 | (5,994,735) |
| Other revenues | 11,525,636 | 11,525,636 | 11,943,283 | 417,647 | 492,650 | 492,650 | 348,094 | (144,556) |
| Total revenues | 205,576,719 | 207,939,909 | 212,801,656 | 4,861,747 | 379,220,074 | 380,320,074 | 375,670,953 | (4,649,121) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government support | 24,333,287 | 24,431,790 | 22,382,996 | 2,048,794 | 46,971,787 | 48,945,615 | 47,720,637 | 1,224,978 |
| Public safety | 123,166,279 | 124,239,566 | 114,436,484 | 9,803,082 | - | - | - | - |
| Transportation | 21,444,956 | 21,803,179 | 20,066,820 | 1,736,359 | - | - | - | - |
| Economic opportunity and development | 56,238 | 56,238 | 64,711 | (8,473) | - | - | - | - |
| Home and community services | 11,658,440 | 13,086,797 | 11,645,217 | 1,441,580 | 1,640,099 | 1,640,099 | 1,209,150 | 430,949 |
| Culture and recreation | 9,866,164 | 9,609,236 | 8,953,450 | 655,786 | - | - | - | - |
| Education | - | - | - | - | 316,751,658 | 314,759,216 | 303,935,127 | 10,824,089 |
| Interest on debt | 1,420,000 | 859,962 | 584,584 | 275,378 | 2,109,750 | 2,109,750 | 1,980,000 | 129,750 |
| Total expenditures | 191,945,364 | 194,086,768 | 178,134,262 | 15,952,506 | 367,473,294 | 367,454,680 | 354,844,914 | 12,609,766 |
| EXCESS OF REVENUES OVER EXPENDITURES | 13,631,355 | 13,853,141 | 34,667,394 | 20,814,253 | 11,746,780 | 12,865,394 | 20,826,039 | 7,960,645 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Operating transfers in | 800,000 | 800,000 | 800,000 | - | 2,747,334 | 2,747,334 | 3,386,086 | 638,752 |
| Operating transfers out | (20,180,263) | (20,480,263) | (19,547,361) | 932,902 | (20,074,114) | (19,192,728) | (18,623,066) | 569,662 |
| Total other financing uses - net | (19,380,263) | (19,680,263) | (18,747,361) | 932,902 | (17,326,780) | (16,445,394) | (15,236,980) | 1,208,414 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES | \$ (5,748,908) | \$ (5,827,122) | 15,920,033 | \$ 21,747,155 | \$ (5,580,000) | \$ (3,580,000) | 5,589,059 | \$ 9,169,059 |
| EFFECT OF ENCUMBRANCES | | | (46,509) | | | | 755,057 | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | | | \$ 15,873,524 | | | | | \$ 6,344,116 |

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF OTHER POSTEMPLOYMENT
BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2008

| | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry AGE | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|----------------------|--------------------------------|---------------------------------|--|---------------------------|-----------------|-----------------------|--|
| City School District | 7/1/07 | \$ - | \$ 657,276,913 | \$ 657,276,913 | 0% | \$ 202,000,000 | 325% |
| City | 7/1/07 | - | <u>812,620,800</u> | <u>812,620,800</u> | 0% | <u>90,839,700</u> | 895% |
| Total | | <u>\$ -</u> | <u>\$1,469,897,713</u> | <u>\$1,469,897,713</u> | | <u>\$ 292,839,700</u> | |

See Accompanying Independent Auditor's Report

**CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2008**

| | CITY SCHOOL DISTRICT | CITY | TOTAL |
|--|-------------------------|----------------------|----------------------|
| ASSETS: | | | |
| Pooled cash and cash equivalents | \$ - | \$ 4,724,344 | \$ 4,724,344 |
| Pooled restricted cash and cash equivalents | - | 8,507,360 | 8,507,360 |
| Due from agency funds | 14,493,569 | - | 14,493,569 |
| Accounts receivable | - | 4,700 | 4,700 |
| Due from other governments | - | 1,674,246 | 1,674,246 |
| TOTAL ASSETS | \$ 14,493,569 | \$ 14,910,650 | \$ 29,404,219 |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | \$ 899,955 | \$ 2,150,547 | \$ 3,050,502 |
| Due to other governments | - | 27,718 | 27,718 |
| Due to other funds | 2,369,269 | 575,250 | 2,944,519 |
| Total liabilities | 3,269,224 | 2,753,515 | 6,022,739 |
| FUND BALANCES: | | | |
| Reserved for encumbrances | 5,360,656 | 499,076 | 5,859,732 |
| Reserved for bonded capital projects | 5,863,689 | 11,658,059 | 17,521,748 |
| Total fund balance | 11,224,345 | 12,157,135 | 23,381,480 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 14,493,569 | \$ 14,910,650 | \$ 29,404,219 |

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, 2008

| | CITY SCHOOL DISTRICT | CITY | TOTAL |
|--|-------------------------|----------------------|----------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ 401,884 | \$ 401,884 |
| Federal and state aid and other grants | - | 2,032,718 | 2,032,718 |
| Other revenues | - | 69,450 | 69,450 |
| Total revenues | <u>-</u> | <u>2,504,052</u> | <u>2,504,052</u> |
| EXPENDITURES: | | | |
| Capital outlays | <u>7,068,132</u> | <u>16,758,591</u> | <u>23,826,723</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | | | |
| | <u>(7,068,132)</u> | <u>(14,254,539)</u> | <u>(21,322,671)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Bond proceeds | 13,345,450 | 7,830,600 | 21,176,050 |
| Operating transfers in | 635,000 | 3,301,000 | 3,936,000 |
| Operating transfers out | (38,608) | (1,536,656) | (1,575,264) |
| Total other financing sources - net | <u>13,941,842</u> | <u>9,594,944</u> | <u>23,536,786</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES | | | |
| | 6,873,710 | (4,659,595) | 2,214,115 |
| FUND BALANCES AT BEGINNING OF YEAR | | | |
| | <u>4,350,635</u> | <u>16,816,730</u> | <u>21,167,365</u> |
| FUND BALANCES AT END OF YEAR | | | |
| | <u>\$ 11,224,345</u> | <u>\$ 12,157,135</u> | <u>\$ 23,381,480</u> |

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

CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

| | 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 | \$ - | \$ - | \$ 284,418 | \$ - | \$ - | \$ - | \$ 284,418 | |
| Pooled restricted cash | 5,724,356 | 283,729 | - | - | - | 672,088 | 6,706,930 | |
| Accounts receivable | 4,136,732 | 11,111 | 1,589 | - | - | 9,438 | 4,158,870 | |
| Taxes receivable (net allowance of \$270,755) | - | - | 296,087 | - | - | - | 296,087 | |
| Due from other funds | 4,579,843 | - | - | - | - | - | 4,579,843 | |
| Due from other governments | - | 899,793 | - | - | - | - | 899,793 | |
| Due from component units (net of allowance of \$1,695,211) | - | - | - | - | - | - | - | |
| TOTAL ASSETS | \$ 14,440,931 | \$ 1,194,633 | \$ 582,094 | \$ - | \$ - | \$ 681,526 | \$ 16,925,941 | |
| LIABILITIES AND FUND BALANCES: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | \$ - | \$ 195,813 | \$ 6,570 | \$ - | \$ 39,453 | \$ 15,394 | \$ 257,230 | |
| Due to component units | - | 10,029 | - | - | - | - | 10,029 | |
| Due to other funds | - | 721,676 | - | - | 93,676 | - | 815,352 | |
| Deferred revenues | 4,136,732 | 267,115 | 283,557 | - | - | - | 4,687,404 | |
| Total liabilities | 4,136,732 | 1,194,633 | 290,127 | - | 133,129 | 15,394 | 5,770,015 | |
| Fund Balances: | | | | | | | | |
| Reserved for bonded debt | 10,304,199 | - | - | - | - | - | 10,304,199 | |
| Reserved for trusts and permanent funds | - | - | - | - | - | 666,132 | 692,889 | |
| Unreserved | - | - | 291,967 | - | (133,129) | - | 158,838 | |
| Total fund balances | 10,304,199 | - | 291,967 | - | (133,129) | 666,132 | 11,155,926 | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 14,440,931 | \$ 1,194,633 | \$ 582,094 | \$ - | \$ - | \$ 681,526 | \$ 16,925,941 | |

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, 2008

| | Debt Service (combined) | Special Revenue | | | | Oil & Flushing | Miscellaneous Trusts | Permanent Funds (Combined) | Total Nonmajor Governmental Funds |
|--|-------------------------|------------------|------------------------------|-------------------|---------------------|-------------------|----------------------|----------------------------|-----------------------------------|
| | | Special Grants | Special Assessment Districts | Local Development | | | | | |
| REVENUES: | | | | | | | | | |
| General property taxes and tax items | \$ - | \$ - | \$ 832,151 | \$ - | \$ 1,413,984 | \$ - | \$ - | \$ - | |
| Other local taxes | 620,279 | - | - | - | - | - | - | 2,246,135 | |
| Use of money and property | 700,693 | - | - | - | - | 8,487 | 416 | 620,279 | |
| Federal and state aid and other grants | - | 1,963,083 | - | - | - | 23,221 | - | 709,596 | |
| Other revenues | - | 5,928 | - | - | - | 402,988 | - | 1,986,304 | |
| Total revenues | <u>1,320,972</u> | <u>1,969,011</u> | <u>832,151</u> | <u>-</u> | <u>1,413,984</u> | <u>434,696</u> | <u>416</u> | <u>5,971,230</u> | |
| EXPENDITURES: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government support | - | 37,855 | 842,697 | - | - | 5,603 | - | 886,155 | |
| Public safety | - | 1,624,530 | - | - | - | 180,852 | - | 1,805,382 | |
| Transportation | - | 1,460 | - | - | 1,532,075 | - | - | 1,533,535 | |
| Home and community services | - | 260,743 | - | - | - | - | - | 260,743 | |
| Culture and recreation | - | 44,423 | - | - | - | 15,843 | - | 60,266 | |
| Principal debt payments | 23,291,366 | - | - | - | - | - | - | 23,291,366 | |
| Interest on debt | 10,141,448 | - | - | - | - | - | - | 10,141,448 | |
| Total expenditures | <u>33,432,814</u> | <u>1,969,011</u> | <u>842,697</u> | <u>-</u> | <u>1,532,075</u> | <u>202,298</u> | <u>-</u> | <u>37,978,895</u> | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(32,111,842)</u> | <u>-</u> | <u>(10,546)</u> | <u>-</u> | <u>(118,091)</u> | <u>232,398</u> | <u>416</u> | <u>(32,007,665)</u> | |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Operating transfers in | 32,613,913 | - | - | - | - | - | - | 32,613,913 | |
| Operating transfers out | - | - | - | - | (184,308) | (6,000) | - | (190,308) | |
| Total other financing sources - net | <u>32,613,913</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(184,308)</u> | <u>(6,000)</u> | <u>-</u> | <u>32,423,605</u> | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES | <u>502,071</u> | <u>-</u> | <u>(10,546)</u> | <u>-</u> | <u>(302,399)</u> | <u>226,398</u> | <u>416</u> | <u>415,940</u> | |
| FUND BALANCES AT BEGINNING OF YEAR | <u>9,802,128</u> | <u>-</u> | <u>302,513</u> | <u>-</u> | <u>169,270</u> | <u>439,734</u> | <u>26,341</u> | <u>10,739,986</u> | |
| FUND BALANCES AT END OF YEAR | <u>\$ 10,304,199</u> | <u>\$ -</u> | <u>\$ 291,967</u> | <u>\$ -</u> | <u>\$ (133,129)</u> | <u>\$ 666,132</u> | <u>\$ 26,757</u> | <u>\$ 11,155,926</u> | |

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

**CITY OF SYRACUSE, NEW YORK
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND
 JUNE 30, 2008**

| | CITY SCHOOL DISTRICT | CITY | TOTAL |
|--|-------------------------|---------------------|----------------------|
| ASSETS: | | | |
| Pooled restricted cash and cash equivalents | \$ - | \$ 5,724,356 | \$ 5,724,356 |
| Accounts receivable | - | 4,136,732 | 4,136,732 |
| Due from agency funds | 4,579,843 | - | 4,579,843 |
| TOTAL ASSETS | \$ 4,579,843 | \$ 9,861,088 | \$ 14,440,931 |
| LIABILITIES/Deferred revenues | \$ - | \$ 4,136,732 | \$ 4,136,732 |
| FUND BALANCES/Reserved for Bonded Debt | 4,579,843 | 5,724,356 | 10,304,199 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,579,843 | \$ 9,861,088 | \$ 14,440,931 |

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, 2008

| | CITY SCHOOL DISTRICT | CITY | TOTAL |
|--|-------------------------|--------------|---------------|
| REVENUES: | | | |
| Other local taxes | \$ - | \$ 620,279 | \$ 620,279 |
| Use of money and property | 329,500 | 371,193 | 700,693 |
| Total revenues | 329,500 | 991,472 | 1,320,972 |
| EXPENDITURES: | | | |
| Principal debt payments | 10,068,275 | 13,223,091 | 23,291,366 |
| Interest on debt | 4,533,704 | 5,607,744 | 10,141,448 |
| Total expenditures | 14,601,979 | 18,830,835 | 33,432,814 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (14,272,479) | (17,839,363) | (32,111,842) |
| OTHER FINANCING SOURCES/ Operating transfers in | 14,640,588 | 17,973,325 | 32,613,913 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | 368,109 | 133,962 | 502,071 |
| FUND BALANCES AT BEGINNING OF YEAR | 4,211,734 | 5,590,394 | 9,802,128 |
| FUND BALANCES AT END OF YEAR | \$ 4,579,843 | \$ 5,724,356 | \$ 10,304,199 |

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, 2008**

| | Parks 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 | \$ 58,115 | \$ 8,052 | \$ 320 | \$ 347,065 | \$ 252,739 | \$ 5,797 | \$ 672,088 |
| Accounts receivable | - | - | - | 7,409 | 2,029 | - | 9,438 |
| TOTAL ASSETS | \$ 58,115 | \$ 8,052 | \$ 320 | \$ 354,474 | \$ 254,768 | \$ 5,797 | \$ 681,526 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| LIABILITIES: | | | | | | | |
| Accounts payable and accrued expenses | \$ 2,341 | \$ 60 | \$ - | \$ - | \$ 12,993 | \$ - | \$ 15,394 |
| Total Liabilities | 2,341 | 60 | - | - | 12,993 | - | 15,394 |
| FUND BALANCES/Reserved for trusts | 55,774 | 7,992 | 320 | 354,474 | 241,775 | 5,797 | 666,132 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 58,115 | \$ 8,052 | \$ 320 | \$ 354,474 | \$ 254,768 | \$ 5,797 | \$ 681,526 |

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, 2008

| | Parks Trusts | General Government Trusts | Francis Hendricks | Police State Seizures | Police Federal Seizures | Weed & Seed Asset Forfeitures | Total City Miscellaneous Trust Funds |
|--|-----------------|---------------------------------|----------------------|-----------------------------|-------------------------------|-------------------------------------|--|
| REVENUES: | | | | | | | |
| Use of money and property | \$ - | \$ - | \$ 71 | \$ 5,147 | \$ 3,269 | \$ - | \$ 8,487 |
| Federal and state aid and other grants | - | - | - | - | - | 23,221 | 23,221 |
| Other revenues | 32,610 | 7,058 | - | 120,495 | 242,825 | - | 402,988 |
| Total revenues | <u>32,610</u> | <u>7,058</u> | <u>71</u> | <u>125,642</u> | <u>246,094</u> | <u>23,221</u> | <u>434,696</u> |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government support | - | 5,603 | - | - | - | - | 5,603 |
| Public safety | - | - | - | 9,286 | 152,624 | 18,942 | 180,852 |
| Culture and recreation | 15,843 | - | - | - | - | - | 15,843 |
| Total expenditures | <u>15,843</u> | <u>5,603</u> | <u>-</u> | <u>9,286</u> | <u>152,624</u> | <u>18,942</u> | <u>202,298</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 16,767 | 1,455 | 71 | 116,356 | 93,470 | 4,279 | 232,398 |
| OTHER FINANCING USES/Operating Transfers Out | (6,000) | - | - | - | - | - | (6,000) |
| EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES | 10,767 | 1,455 | 71 | 116,356 | 93,470 | 4,279 | 226,398 |
| FUND BALANCES AT BEGINNING OF YEAR | 45,007 | 6,537 | 249 | 238,118 | 148,305 | 1,518 | 439,734 |
| FUND BALANCES AT END OF YEAR | \$ 55,774 | \$ 7,992 | \$ 320 | \$ 354,474 | \$ 241,775 | \$ 5,797 | \$ 666,132 |

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

CITY OF SYRACUSE, NEW YORK
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2008

| | <u>CITY SCHOOL DISTRICT</u> | <u>CITY</u> | <u>TOTAL</u> |
|--------------------------------------|---------------------------------|------------------|------------------|
| ASSETS: | | | |
| Pooled restricted cash/ Total assets | <u>\$ 16,757</u> | <u>\$ 10,000</u> | <u>\$ 26,757</u> |
| FUND BALANCES/ | | | |
| Reserved for permanent funds | <u>16,757</u> | <u>10,000</u> | <u>26,757</u> |

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

CITY OF SYRACUSE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

| | CITY SCHOOL DISTRICT | CITY | TOTAL |
|--|-------------------------|------------------|------------------|
| REVENUES/Use of money and property | \$ 416 | \$ - | \$ 416 |
| EXPENDITURES/General government support | - | - | - |
| EXCESS OF REVENUES OVER EXPENDITURES | 416 | - | 416 |
| FUND BALANCES AT BEGINNING OF YEAR | 16,341 | 10,000 | 26,341 |
| FUND BALANCES AT END OF YEAR | <u>\$ 16,757</u> | <u>\$ 10,000</u> | <u>\$ 26,757</u> |

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