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To the Honorable Mayor, Stephanie Miner
and the Members of the Common Council
City of Syracuse, New York

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (nonmajor governmental funds and fiduciary funds) of the City of Syracuse, New York (the City) as of and for the year ended June 30, 2013. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Syracuse, New York are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to financial reporting guidance and report formatting by adopting Statements of Governmental Accounting Standards (GASB Statement) No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountant Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended June 30, 2013. The implementation of GASB No. 62 and No. 63 did not have a significant effect on the financial statements. The implementation of GASB No. 61 required reporting the Syracuse Urban Renewal Agency (SURA) as a nonmajor governmental fund. It was previously reported as a discretely presented component unit. The net assets of SURA were \$872,081 at June 30, 2012. In addition, the Syracuse Regional Airport Authority (Authority) is now reported as a discretely presented component unit. The Authority has net assets of \$8,157 at June 30, 2012.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements relate to compensated absences payable, self-insurance accruals, including other postemployment benefits, judgments and claims accruals, the realization of taxes and accounts receivable and the useful lives of capital assets. Management's estimate of compensated absences payable is based on employees' unused balances at year-end, bargaining unit contracts and personnel data. Management's estimate of insurance accruals is based upon their judgment, as well as claims data and other information received from third party plan administrators. Other postemployment benefit accruals are based upon actuarial calculations performed by a third party. The realization of accounts receivable is based on management's judgment and other analysis and the allowance for doubtful accounts relating to property taxes receivable is based upon historical collections and other analysis. The estimate for the useful lives of capital assets is based on experience and judgment. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the statements relate to the disclosure regarding SIDA's HUD 108 loans and the City's commitment to pledge current and future Community Development Block Grant funds in the commitment and contingencies footnote.

Difficulties Encountered in Performing the Audit

We had difficulties obtaining information from various City departments which caused delays in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Material misstatements detected as a result of our auditing procedures and corrected by management are reported in Attachment A.

Attachment B summarizes uncorrected misstatements of the financial statements. Management has determined that the effects of the uncorrected misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City of Syracuse, New York’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, Members of the Common Council and management of the City of Syracuse, New York and is not intended to be and should not be used by anyone other than these specified parties.

March 14, 2014
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK
ATTACHMENT A-MATERIAL AUDIT ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Fund Financial Statements:

General Fund:

Accounts payable and accrued expenses	\$ 8,334,116	
Expenditures		\$ 8,334,116

Aviation Fund:

Due from other governments	\$ 1,162,279	
Capital grant revenue		\$ 1,162,279

Sewer Fund:

Capital grant revenue	\$ 203,788	
Due from other governments		\$ 203,788

Capital Projects Fund:

Federal and state aid and other grant revenue	\$ 515,391	
Due from other governments		\$ 515,391
Deferred revenue	\$ 325,223	
Other revenue		\$ 325,223

Neighborhood & Business Development Fund:

Due from other governments	\$ 1,105,838	
Home and community service expenditures	\$ 1,105,838	
Accounts payable and accrued expenses		\$ 1,105,838
Federal and state aid and other grant revenue		\$ 1,105,838
Cash	\$ 117,558	
Due to other funds		\$ 63,484
Due to other governments		\$ 54,074
Federal and state aid and other grant revenue	\$ 1,456,250	
Loans receivable	\$ 1,407,565	
Deferred revenue		\$ 1,407,565
Home and community services expenditures		\$ 1,456,250

CITY OF SYRACUSE, NEW YORK
ATTACHMENT B - UNCORRECTED MISSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

General Fund:

1. Revenue is overstated and beginning fund balance is overstated \$76,524 for prior year uncorrected misstatements.
2. Revenue and due from other governments are overstated \$131,313.
3. Expenditures and accounts payable and accrued expenses are understated \$33,491.
4. Due from other funds and revenues are understated \$254,714.

Water Fund:

1. Revenue is understated and beginning net assets are overstated \$68,400 for a prior year uncorrected misstatement.
2. Revenue is overstated and beginning net position is understated \$404,713 for grant revenue that should have been recorded in the prior year as the expenses were incurred and accrued in the prior year.

Sewer Fund:

1. Revenue is understated and beginning net assets are overstated \$59,538 for a prior year uncorrected misstatement.
2. Expenditures and accounts payable and accrued expenses are overstated \$27,952.

Capital Projects Fund:

1. Revenue is understated \$1,510, expenditures are overstated \$89,962 and beginning fund balance is overstated \$91,472 for prior year uncorrected misstatements.
2. Revenue is overstated and beginning fund balance is understated \$119,705.
3. Expenditures and accounts payable and accrued expenses are understated \$38,659.
4. Expenditures and accounts payable and accrued expenses are understated \$209,524 and due from other governments and revenue are understated \$199,048.

Fiduciary Funds:

1. Agency fund liabilities are overstated and due to other funds is understated \$254,714.

CITY OF SYRACUSE, NEW YORK
ATTACHMENT B - UNCORRECTED MISSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Neighborhood & Business Development Fund:

1. Expenditures and revenues are overstated \$25,935 for prior year uncorrected misstatements.
2. Due from other funds and due to other governments are understated \$256,335.
3. Cash is understated \$22,900, other liabilities are understated \$24,491, expenditures are understated \$1,591, revenue is understated \$1,591 and due from other governments is understated \$1,591.
4. Expenditures, due from other governments and revenue are understated \$65,166. Accounts payable and accrued expenses are understated \$52,836 and other liabilities are understated \$12,330.

Aviation Fund:

1. Expenses and beginning net assets are understated \$64,846 for prior year uncorrected misstatements.
2. Expenditures and accounts payable and accrued expenses are overstated \$10,234.
3. Capital assets and accounts payable and accrued expenses are understated \$116,636.
4. Capital assets are understated \$108,798, due from other governments are understated \$108,576, accounts payable and accrued expenses are understated \$108,798, revenue is understated \$92,206 and beginning net position is understated \$16,370.

Government-Wide Governmental Fund Type:

1. Expenditures and accrued long-term liabilities are understated \$717,000.
2. Expenditures and due to other governments are understated \$830,751.