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MARSHALL
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HELPING OUR CLIENTS'
VISIONS ADD UP

March 13, 2013

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York for the year ended June 30, 2012. 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 10, 2012. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 disclosures affecting the statements relate to the Joint Schools Construction Board, other postemployment benefits and 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. In addition, the Actuarial Valuation of Postretirement Health Care Benefits Report was not available until January 31, 2013, which caused a significant delay 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. The following material misstatements detected as a result of our auditing procedures were corrected by management:

Fund Financial Statements:

Aviation Fund:

Due from other governments	\$ 3,116,511	
Capital grant revenue		\$ 3,116,511
(To record Transportation Security Administration grant activity for the year).		

Water Fund:

Capital assets	\$ 850,264	
Operating expenses	14,757	
Accounts payable and accrued expenses		\$ 865,021
(To record an additional account payable)		

Capital Projects Fund:

Other revenues	\$ 503,000	
Deferred revenues		\$ 503,000
(To defer revenue for funds received in advance for a project)		

Neighborhood & Business Development Fund:

Due from other governments	\$ 1,209,112	
Expenditures	1,209,112	
Accounts payable and accrued expenses		\$ 1,193,453
Due to component units		15,659
Federal and state aid and other grant revenue		1,209,112
(To record additional account payable)		

Component Unit/Syracuse Urban Renewal Agency:

1. Deferred revenue	\$ 429,134	
Development project expenses	429,134	
Accounts payable and accrued expenses		\$ 429,134
Grant income		429,134
(To record additional accounts payable)		
2. Grant revenue	\$ 162,713	
Deferred revenue		\$ 162,713
(To reduce revenue on projects not yet earned)		
3. Deferred revenue	\$ 309,934	
Grant income		\$ 309,934
(To adjust revenue and deferred to actual at year end)		

The attached schedule 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 13, 2013.

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

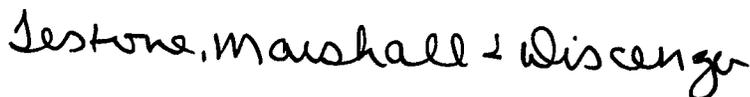
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City of Syracuse, New York’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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.

Very truly yours,

A handwritten signature in black ink that reads "Testone, Marshall & Discenza". The signature is written in a cursive, slightly slanted style.

TESTONE, MARSHALL & DISCENZA, LLP

**CITY OF SYRACUSE, NEW YORK
UNCORRECTED MISSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

General Fund:

1. Revenue is understated \$44,181, expenditures are overstated \$468,917 and beginning fund balance is overstated \$513,098 for prior year uncorrected misstatements.
2. Revenue is understated \$89,706, due from other governments is understated \$142,619 and beginning fund balance is understated \$52,913.
3. Accounts receivable and other revenue are understated \$123,894.
4. Revenue is overstated and deferred revenue is understated \$47,370.

Water Fund:

1. Revenue is overstated \$10,302, expenses are overstated \$43,288 and beginning net assets are overstated \$32,986 for prior year uncorrected misstatements.
2. Revenue and due from other governments are overstated \$68,400.

Sewer Fund:

1. Revenue is overstated \$1,872, expenses are overstated \$55,203 and beginning net assets are overstated \$53,331 for prior year uncorrected misstatements.
2. Revenue and due from other governments are overstated \$59,538.

Capital Projects Fund:

1. Revenue is understated \$28,862, expenditures are overstated \$93,330 and beginning fund balance is overstated \$122,192 for prior year uncorrected misstatements.
2. Grant revenue is overstated and deferred revenue is understated \$1,510.
3. Capital outlays are overstated \$288,668, grant revenue is overstated \$274,234 and beginning fund balance is overstated \$14,434.
4. Capital outlays and accounts payable and accrued expenses are understated \$89,962.
5. Grant revenue is overstated and beginning fund balance is understated \$163,454.

**CITY OF SYRACUSE, NEW YORK
UNCORRECTED MISSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Nonmajor Governmental Funds:

1. Expenditures are overstated \$72,811, revenue is overstated \$70,570 and beginning fund balance is overstated \$2,241 for prior year uncorrected misstatements.
2. Special grants revenue and expenditures are overstated \$172,036.
3. Accounts receivable and deferred revenue are understated \$2,111.

Neighborhood & Business Development Fund:

1. Expenditures and revenues are overstated \$72,899 for prior year uncorrected misstatements.
2. Expenditures, accounts payable and accrued expenses, due from other governments and federal and state aid and other grant revenue are understated \$39,774.
3. Federal and state aid and other grant revenue and expenditures are overstated \$13,839.
4. Loans receivable and deferred revenue are overstated \$859,530.

Aviation Fund:

1. Revenue is overstated \$60,328, expenses are understated \$7,355 and beginning net assets are understated \$67,683 for prior year uncorrected misstatements.
2. Grant revenue is overstated and beginning fund balance is understated \$61,442.
3. Capital assets and accounts payable and accrued expenses are understated \$153,231.
4. Accounts payable and accrued expenses and operating expenses are overstated \$64,846.

Syracuse Urban Renewal Agency:

1. Expenses and beginning net assets are overstated \$42,000.
2. Program revenue, expenses and beginning net assets are overstated \$174,503 and deferred revenue is understated \$174,503.

Government-Wide Governmental Fund Type:

1. Expenditures and accrued judgments and claims are understated \$1,141,000.
2. Expenditures and due to other governments are understated \$214,812.