

CITY OF SYRACUSE, NEW YORK

**Independent Auditor's Report on Compliance with Requirements That Could Have a
Direct and Material Effect on the Passenger Facility Charge Program and on
Internal Control over Compliance and the Schedule
of Expenditures of Passenger Facility Charges**

For the Year Ended June 30, 2012

CITY OF SYRACUSE, NEW YORK

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

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

COMPLIANCE

We have audited the compliance of the City of Syracuse, New York (the City) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2012. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Syracuse, New York's management. Our responsibility is to express an opinion on the City of Syracuse, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Syracuse, New York's compliance with those requirements.

(Continued)

In our opinion, the City of Syracuse, New York complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2012. However, the result of our auditing procedures disclosed an instance of noncompliance with those requirements, and is required to be reported in accordance with the Guide and is described in the accompanying schedule of findings and questioned costs as item 12-1.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City of Syracuse, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City of Syracuse, New York's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Syracuse, New York's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-1 to be a material weakness.

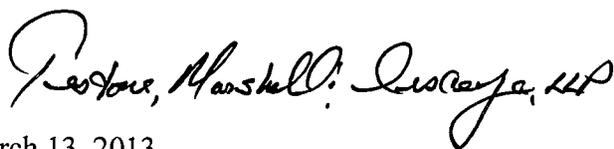
The City of Syracuse, New York's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Syracuse, New York's response and, accordingly, we express no opinion on the response.

(Continued)

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

We have audited the financial statements of the City of Syracuse, New York, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 13, 2013 which contained unqualified opinions on the financial statements as a whole. Our audit was performed 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 accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.



March 13, 2013
Syracuse, New York

(Concluded)

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2012

PROJECTS	CHARGE EFFECTIVE DATE	APPROVAL OF USE DATE	PROJECT START	Year Ended 6/30/2012 EXPENDITURES	AMOUNT APPROVED FOR IMPOSE AND USE
Passenger Terminal Security Access and Improvements	3/1/2007	7/1/2009	7/1/2009	19,338,889	96,732,010
TOTALS				\$ 19,338,889	\$ 96,732,010

See Accompanying Independent Auditor's Report

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2012

1. GENERAL

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. In August 1993, the FAA approved a \$3.00 Passenger Facility Charge collection at Hancock International Airport beginning November 1, 1993. Effective September 1, 2002, the FAA increased the PFC level to \$4.50.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of passenger facility charges presents the activity of passenger facility charge projects administered by Hancock International Airport, a proprietary fund of the City.

3. EXPENDITURES OF PASSENGER FACILITY CHARGES

The amounts reported as expenditures are those of passenger facility charge projects obtained from the PFC Quarterly Reports and the accounting records utilized to record activity for the applicable projects and period. The expenditures of passenger facility charges are recorded on the cash basis.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part I Summary of Auditor's Results:

- The independent auditor's report on compliance with requirements applicable to the passenger facility charge program expressed an unqualified opinion.
- A material weakness in internal control over compliance with requirements applicable to the passenger facility charge program was identified.

Part II Passenger Facility Charge Program Finding

Reference Number 12-1

Criteria:

The airport must provide quarterly reports to carriers collecting PFC revenues with a copy to the Federal Aviation Administration.

Cause/Condition:

Quarterly reports were not prepared accurately.

Effect:

Expenses relating to a grant program were initially reported as PFC expenditures.

Recommendation:

We recommend that all reports be reviewed for accuracy prior to submission.

Questioned Costs:

None

Response:

As of June 30, 2012, approximately \$3.1 million dollars in expenses related to the Terminal Security Project were collectively reported as PFC expenses whereas they were found to be reimbursable under the Other Transaction Agreement (OTA), issued by the Department of Homeland Security, Transportation Security Administration. They have subsequently been reversed out of PFC expenditures and booked as a receivable in the accounts receivable module. Going forward, expenses will be broken out and reported separately.

(Concluded)