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August 13, 2009

Honorable Mayor and Members of City Council  
City of Binghamton, New York

Professional standards established by the American Institute of Certified Public Accountants (AICPA), specifically Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*, requires independent auditors to communicate certain matters directly to the Board or those charged with governance in overseeing the financial reporting process. We have audited the financial statements of the CITY OF BINGHAMTON, for the year ended December 31, 2008, and have issued our report thereon dated August 13, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated April 1, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of Binghamton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Binghamton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Binghamton's compliance with the types of compliance requirements described in the "US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Binghamton's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Binghamton's compliance with those requirements.

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## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 1, 2009.

## **Significant Audit Findings**

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The City of Binghamton are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 were:

Management's estimates related to depreciation, an allowance for uncollectibles, the other postemployment benefit (OPEB) liability, and certain accrued liabilities that include payroll and compensated absences. The process at the City of Binghamton includes a periodic review function by management of these areas. We have evaluated the key factors and assumptions used to develop the aforementioned estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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. There were adjustments made to the financial statements as a result of our audit that had a significant effect on the City's financial reporting process in the Capital Fund. Significant adjustments include recording receivables from NYSDOT (\$578,484) and Restore NY (\$525,000) while recognizing the revenue that has been earned on 2008 related expenditures. Additionally, receivables recorded in prior years from DOT were written off (\$1,078,634) to recognize anticipated revenues that will not be collected. Also, adjustments were needed to report the financial activity of the Binghamton Regency Hotel. There were no significant unrecorded adjustments noted as a result of our audit.

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## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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 August 13, 2009.

## 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 City'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 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 each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the members of City Council and management of The City of Binghamton and is not intended to be and should not be used by anyone other than these specified parties.



PIAKER & LYONS, P.C.