

Financial Statements

***CITY OF
JAMESTOWN, NEW YORK***

YEAR ENDED DECEMBER 31, 2011

CITY OF JAMESTOWN, NEW YORK
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Independent Auditor's Report

To the City Council
City of Jamestown, New York

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York as of and for the year ended December 31, 2011 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 Jamestown, New York's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Board of Public Utilities which comprises 100% of the assets, net assets, revenues and expenses of the City's Business-type activities. Those financial statements were audited by other auditors whose reports thereon were furnished to me, and my opinion, insofar as it relates to the amounts included for the Board of Public Utilities, is based solely on the reports of the other auditors.

I conducted the 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 I 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 disclosure 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report 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, each major fund and the aggregate remaining fund information of the City of Jamestown, New York as of December 31, 2011 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As discussed in Note 1 to the financial statements, during the year ended December 31, 2011 the City adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions"

In accordance with *Government Auditing Standards*, I have also issued my report dated August 3, 2012, on my consideration of the City of Jamestown, New York's internal control over financial reporting and on my 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 my 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 should be considered in assessing the results of my audit.

Independent Auditor's Report
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 46, and the schedule of funding progress for OPEB obligations on page 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Jamestown, New York's basic financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
August 3, 2012

CITY OF JAMESTOWN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2011

This discussion and analysis of the City of Jamestown, New York's financial performance provides an overview of the City's financial activities for the year ended December 31, 2011. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net assets of the City's governmental activities included in the Government-wide financial statements totaled \$18,794,765 at December 31, 2011 compared to \$19,456,387 at December 31, 2010, a decrease of \$661,622 (3%). Revenues from governmental activities totaled \$37,618,192 for 2011 compared to \$38,933,352 for 2010. Expenditures for governmental activities totaled \$38,279,814 for 2011 compared to \$41,439,052 for 2010.
- The fund balance of the City's General Fund included in the Fund financial statements decreased \$350,760 (10%) to \$3,088,356 as of December 31, 2011 compared to a fund balance of \$3,439,116 as of December 31, 2010.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Jamestown, New York (City) using the integrated approach as prescribed by GASB No. 34.

The Government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The Fund financial statements include statements for each of the three categories of activities - governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund financial statements to the Government-wide financial statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City 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. Net assets are the differences between assets and liabilities, which is 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. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

Managements Discussion and Analysis

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In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the activities of the City as follows:

Governmental activities

Most of the City's basic services are reported in this category, including General Government, Fire, Police, Public Works, Parks, Recreation and Community Services. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities

The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Electric, Water, Wastewater, Sanitation, and District Heat activities are reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State Statute, while other funds are established by the City to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and 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 you determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-wide financial statements are explained in a reconciliation schedule following each Governmental fund financial statement.

Proprietary Funds

When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally 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 Revenues, Expenses, and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds

The City is the trustee, or fiduciary for certain funds held on behalf of the Recreation Department Trust. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the general fund.

Managements Discussion and Analysis

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets for the City of Jamestown, New York, as a whole, totaled \$135,336,728 as of December 31, 2011 and \$130,624,475 as of December 31, 2010, an increase of \$4,712,253. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets..

The City's combined Net Assets for the years ended December 31, 2011 and 2010 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>						
Current and other assets	\$15,359,555	\$13,188,635	\$ 34,376,058	\$ 29,766,489	\$ 49,735,613	\$ 42,955,124
Capital assets	<u>38,350,722</u>	<u>36,691,576</u>	<u>123,404,413</u>	<u>125,852,702</u>	<u>161,755,135</u>	<u>162,544,278</u>
Total assets	<u>\$53,710,277</u>	<u>\$49,880,211</u>	<u>\$157,780,471</u>	<u>\$155,619,191</u>	<u>\$211,490,748</u>	<u>\$205,499,402</u>
<u>Liabilities</u>						
Long-term debt	\$22,073,766	\$19,822,804	26,468,000	29,551,000	48,541,766	49,373,804
Net OPEB obligation	9,825,936	7,479,833	9,213,511	9,172,635	19,039,447	16,652,468
Other liabilities	<u>3,015,810</u>	<u>3,121,187</u>	<u>5,556,997</u>	<u>5,727,468</u>	<u>8,572,807</u>	<u>8,848,655</u>
Total liabilities	<u>34,915,512</u>	<u>30,423,824</u>	<u>41,238,508</u>	<u>44,451,103</u>	<u>76,154,020</u>	<u>74,874,927</u>
<u>Net Assets</u>						
Investment in capital assets, net of related debt	18,962,407	20,088,575	96,717,916	95,449,712	115,680,323	115,538,287
Restricted	9,785,217	7,150,486	5,292,555	4,538,601	15,077,772	11,689,087
Unrestricted	<u>(9,952,859)</u>	<u>(7,782,674)</u>	<u>14,531,492</u>	<u>11,179,775</u>	<u>4,578,633</u>	<u>3,397,101</u>
Total net assets	<u>18,794,765</u>	<u>19,456,387</u>	<u>116,541,963</u>	<u>111,168,088</u>	<u>135,336,728</u>	<u>130,624,475</u>
Total Liabilities and Net Assets	<u>\$53,710,277</u>	<u>\$49,880,211</u>	<u>\$157,780,471</u>	<u>\$155,619,191</u>	<u>\$211,490,748</u>	<u>\$205,499,402</u>

Net Asset Analysis - Overall

Net assets totaled \$135,336,728 as of December 31, 2011 of which \$115,680,323 (85%) represents the City's investment in capital assets net of related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services, 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.

Net Asset Analysis - Governmental Activities

The City's net assets from governmental activities decreased \$661,622 (3%) to \$18,794,765. Investment in capital assets, net of related debt decreased \$1,126,168 (6%) to \$18,962,407. Restricted net assets increased \$2,634,731 (37%) to \$9,785,217. Unrestricted net assets decreased \$2,170,185 (28%) to a deficit of \$9,952,859.

Net Asset Analysis - Business-type Activities

The City's net assets from business-type activities increased \$5,373,875 (5%) to \$116,541,963. Investment in capital assets, net of related debt increased \$1,268,204 (1%) to \$96,717,916. Restricted net assets increased \$753,954 (17%) to \$5,292,555. Unrestricted net assets increased \$3,351,717 (30%) to \$14,531,492.

Managements Discussion and Analysis

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Analysis of Changes in Net Assets

The change in the City's net assets for governmental activities and business-type activities for the years ended December 31, 2011 and 2010 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,797,947	\$ 1,909,229	\$ 53,286,841	\$ 50,518,473	\$ 55,084,788	\$ 52,427,702
Operating grant/contributions	4,873,855	7,004,539	-	-	4,873,855	7,004,539
Capital grants/contributions	1,607,945	877,575	-	2,427,250	1,607,945	3,304,825
General revenues:						
Real property taxes	14,046,131	13,939,270	-	-	14,046,131	13,939,270
Sales tax	5,694,930	5,426,892	-	-	5,694,930	5,426,892
Board of Public Utilities (PILOT)	3,592,806	3,511,366	-	-	3,592,806	3,511,366
Investment earnings	126,510	173,353	79,505	145,630	206,015	318,983
State Aid	4,943,491	5,149,180	-	-	4,943,491	5,149,180
Other	934,577	941,948	16,290	67,052	950,867	1,009,000
Total revenues	<u>37,618,192</u>	<u>38,933,352</u>	<u>53,382,636</u>	<u>53,158,405</u>	<u>91,000,828</u>	<u>92,091,757</u>
Expenses:						
General government support	5,333,103	5,355,844	-	-	5,333,103	5,355,844
Public safety	11,036,956	10,699,784	-	-	11,036,956	10,699,784
Public improvements/projects	724,833	139,160	-	-	724,833	139,160
Streets	3,325,100	3,102,706	-	-	3,325,100	3,102,706
Culture and recreation	2,193,709	1,953,915	-	-	2,193,709	1,953,915
Home and community/development	4,770,541	9,274,616	-	-	4,770,541	9,274,616
Employee benefits	10,039,407	10,183,656	-	-	10,039,407	10,183,656
Debt service	856,165	729,371	1,251,040	1,386,281	2,107,205	2,115,652
Utility operations	-	-	46,757,721	45,521,514	46,757,721	45,521,514
Total expenses	<u>38,279,814</u>	<u>41,439,052</u>	<u>48,008,761</u>	<u>46,907,795</u>	<u>86,288,575</u>	<u>88,346,847</u>
Change in net assets	(661,622)	(2,505,700)	5,373,875	6,250,610	4,712,253	3,744,910
Net assets, beginning of year	<u>19,456,387</u>	<u>21,962,087</u>	<u>111,168,088</u>	<u>104,917,478</u>	<u>130,624,475</u>	<u>126,879,565</u>
Net assets, end of year	<u>\$18,794,765</u>	<u>\$19,456,387</u>	<u>\$116,541,963</u>	<u>\$111,168,088</u>	<u>\$135,336,728</u>	<u>\$130,624,475</u>

Governmental Activities

Revenues from the City's governmental activities totaled \$37,618,192 for 2011 compared to \$38,933,352 for 2010. Revenues for 2011 were comprised of the following: Property tax revenue (37%), Operating and Capital Grants and Contributions (17%), Sales tax revenue (15%), State aid revenue (13%), Board of Public Utilities payments in lieu of tax revenue (10%), Charges for services (5%), Other revenue (3%).

Expenditures of governmental activities totaled \$38,279,814 for 2011 compared to \$41,439,052 for 2010. The City's programs for governmental activities include General Government, Fire, Police, Public Works, Community Development, Parks and Recreation, and Debt Service for Interest.

Business-type Activities

The business-type activities include Electric, Water, Waste Water, Sanitation, and District Heat services. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users totaled \$53,286,841 for 2011 and \$50,518,473 for 2010. Investment earnings totaled \$79,505 for 2011 and \$145,630 for 2010. Capital grants totaled \$0 for 2011 and \$2,427,250 for 2010. Other revenue totaled \$16,290 for 2011 and \$67,052 for 2010. The cost of all Proprietary (Business-type) activities totaled \$48,008,761 for 2011 and \$46,907,795 for 2010.

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$22,073,766 as of December 31, 2011 and \$19,822,804 as of December 31, 2010; a net increase of \$2,250,962. As of December 31, 2011, long-term liabilities were comprised of the following: General Obligation Bonds \$9,775,000; Notes payable to Board of Public Utilities \$862,593; Note payable to New York Power Authority (via Board of Public Utilities) \$1,412,117; Equipment notes payable \$648,605; Notes payable to NYS Police and Fire Retirement System \$402,236; Obligations under capital lease \$6,690,000; Compensated absences \$2,283,215.

Detailed information regarding long term liabilities is included in Note 5 to the basic financial statements.

Information Regarding Long Term Liabilities for Governmental Activities

- The liability for compensated absences decreased \$427,782 to \$2,283,215 as of December 31, 2011.
- As of December 31, 2011, the City maintains a \$6,690,000 capital lease obligation for the Cherry Street and Second Street parking ramps.
- During 2011, the City issued a \$4,000,000 general obligation bond, payable through 2026 with interest at rates ranging between 3.5% and 4.25%.

Detailed information regarding long term liabilities is included in Note 5 to the basic financial statements.

Liability for OPEB Obligations

- The liability for OPEB obligations included in the government-wide statement of net assets increased \$2,346,103 to \$9,825,936 as of December 31, 2011.

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$26,468,000 as of December 31, 2011 and \$29,551,000 as of December 31, 2010; a decrease of \$3,083,000.

- During 2011, the Board of Public Utilities did not issue any general obligation bonds or notes payable.

Detailed information regarding long term liabilities is included in Note 5 to the basic financial statements.

Constitutional Debt Limit

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based upon 7% of the average of the total value of real property for the past five years. At December 31, 2011 the City's general obligation debt, including statutory exclusions, was at 21.65% of the legal limit compared to 21.31% of the legal limit at December 31, 2010.

Detailed information regarding the statutory debt limit is included in the Note 5 to the basic financial statements.

CAPITAL ASSETS

Governmental Activities

As of December 31, 2011, the City's governmental-activities maintained \$38,350,722 in capital assets (Cost \$68,103,367 less accumulated depreciation of \$29,752,645) compared to \$36,691,576 as of December 31, 2010. Capital additions for 2011 totaled \$4,036,675 and were for the following: infrastructure (including roads, sidewalks, and storm sewers) \$1,644,434; buildings and structures \$638,073; equipment \$1,603,766; vehicles \$150,402.

Depreciation expense totaled \$2,377,529 for the year ended December 31, 2011 and \$2,309,916 for the year ended December 31, 2010.

Detailed information regarding capital asset activity is included in Note 4 to the basic financial statements.

Business-type Activities

As of December 31, 2011, the City's business-type activities maintained \$123,404,413 in capital assets (Cost \$239,837,609 less accumulated depreciation of \$116,433,196) compared to \$125,852,702 as of December 31, 2010. Capital additions, net of deletions for 2011 totaled \$3,354,886 and were for the following: Electric Division \$976,598; Waste Water Division \$590,759; Water Division \$1,287,836; Solid Waste Division \$17,643; District Heat Division \$482,050.

Depreciation expense totaled \$6,735,226 for the year ended December 31, 2011 and \$6,762,018 for the year ended December 31, 2010.

Detailed information regarding capital asset activity is included in Note 4 to the basic financial statements.

THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds reported a combined fund balance of \$11,483,813 as of December 31, 2011 and \$9,171,121 as of December 31, 2010; an increase of \$2,312,692. The schedule below indicates the fund balances as of December 31, 2011 and 2010, and the net increase/decrease for the year.

	<u>Fund Balance</u> <u>2011</u>	<u>Fund Balance</u> <u>2010</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 3,088,356	\$ 3,439,116	\$ (350,760)
Capital fund	3,233,300	576,431	2,656,869
Special revenue fund	<u>5,162,157</u>	<u>5,155,574</u>	<u>6,583</u>
Total	<u>\$11,483,813</u>	<u>\$ 9,171,121</u>	<u>\$ 2,312,692</u>

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

General Fund

The change in the City's General fund balance for the year ended December 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
<i>Revenues and Other Sources:</i>		
Real property taxes	\$14,046,131	\$13,939,270
Real property tax items	217,631	214,807
Non-property tax items	6,398,104	6,103,027
Departmental income	725,228	741,855
Intergovernmental charges	163,308	188,097
State aid	5,913,429	6,056,339
Board of Public Utilities (PILOT)	3,592,806	3,511,366
Use of money and property	37,338	70,249
Other revenue	444,364	494,787
Interfund transfers in	7,000	25,000
Total revenues	<u>31,545,339</u>	<u>31,344,797</u>
<i>Expenditures:</i>		
General government support	3,742,793	4,015,904
Public safety	10,573,079	9,975,766
Streets	3,517,458	3,426,330
Culture and recreation	2,167,897	1,957,539
Home and community services	829,847	770,372
Capital outlays	775,237	844,844
Employee benefits	8,253,097	7,688,856
Debt service - principal	1,214,686	1,664,243
Debt service - interest	822,005	666,404
	<u>31,896,099</u>	<u>31,010,258</u>
(Deficiency) Excess for the year	(350,760)	334,539
Fund balance, beginning of year	<u>3,439,116</u>	<u>3,104,577</u>
Fund balance, end of year	<u>\$ 3,088,356</u>	<u>\$ 3,439,116</u>

General Fund revenues totaled \$31,545,339 for 2011 and \$31,344,797 for 2010. Increased revenues were noted in the following: Non-property tax items \$295,077; property tax revenue \$106,861; Board of Public Utilities (PILOT) \$81,440. Decreased revenue were noted in the following: state aid \$142,910; other revenue \$50,423; intergovernmental charges \$24,789; interfund transfers \$18,000; departmental income \$16,627.

Expenditures totaled \$31,896,099 for 2011 and \$31,010,258 for 2010, an increase of \$885,841.

General Fund - Budgetary Highlights

The City's budget is prepared in accordance with New York State law and is based upon the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

For 2011, the City appropriated \$420,000 of its 2010 fund balance. During 2011, actual general fund revenues and other sources were greater than the final revenue budget by \$11,477 while expenditures were \$57,763 less than the final expenditure budget. As a result, the City's fund balance as of December 31, 2011 was \$69,240 higher than budgeted. The 2011 General Fund final expenditure budget totaled \$31,953,862 compared to a 2010 final expenditure budget of \$31,418,857. The 2011 final expenditure budget included a net supplementary increase of \$12,182 from the original approved budget. The net supplementary increase is detailed in Note 10 to the basic financial statements. Other appropriations required changes in functional categories due to spending patterns. A detailed budgetary comparison to actual is provided in on page 46.

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

Capital Projects Fund

The change in the City's Capital Projects fund balance for the years ended December 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
<i>Revenues and Other Sources:</i>		
Proceeds from issuance of debt	\$ 4,000,000	\$ 4,665,000
General fund appropriations	775,237	844,844
Sale of property	58,255	45,271
Use of money and property	12,387	1,916
Other revenue	24,898	26,043
Total revenues	<u>4,870,777</u>	<u>5,583,074</u>
<i>Expenditures and Other Uses:</i>		
Debt service - principal	-	4,665,000
Capital outlay	2,206,908	1,013,247
Interfund transfer to General Fund	7,000	25,000
	<u>2,213,908</u>	<u>5,703,247</u>
Excess (Deficiency) for the year	2,656,869	(120,173)
Fund balance, beginning of year	<u>576,431</u>	<u>696,604</u>
Fund balance, end of year	<u>\$ 3,233,300</u>	<u>\$ 576,431</u>

During the year ended December 31, 2011, Capital fund revenues decreased \$712,297. Decreased revenues were noted in the following: Proceeds from issuance of debt \$665,000; general fund appropriations \$69,607. Expenditures decreased \$3,489,339 primarily due to the following: decrease in debt service-principal \$4,665,000; increase in capital outlay of \$1,193,661; decrease in interfund transfer \$18,000;

The Capital Projects Fund included capital outlay expenditures of \$2,206,908 for the year ended December 31, 2011 and \$1,013,247 for the year ended December 31, 2010. Capital outlay expenditures were comprised of the following:

	<u>2011</u>	<u>2010</u>
Street resurfacing, construction, curb, gutter, sidewalks	\$ 641,887	\$ 515,313
Equipment and vehicles	1,028,200	153,538
Storm Sewers and Sidewalks	100,000	150,000
Building improvements	316,968	57,100
Land improvements	25,101	-
Other expenditures not capitalized	94,752	137,296
	<u>\$ 2,206,908</u>	<u>\$ 1,013,247</u>

Special Revenue Fund

The Special Revenue Fund of the City is comprised of Department of Development operations, Risk Retention activity, and Federal and State Grant revenue and expenditures.

The change in the City's Special Revenue fund balance for the years ended December 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
<i>Revenues and Other Sources:</i>		
Departmental income	\$ 420,478	\$ 460,832
Use of money and property	76,451	100,794
Interfund revenues	391,078	324,250
Federal aid	3,477,662	4,513,703
State aid	1,734,665	2,115,492
Other revenue	302,733	324,907
Total revenues	<u>6,403,067</u>	<u>7,839,978</u>

Managements Discussion and Analysis
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Special Revenue Fund (Cont'd)

	<u>2011</u>	<u>2010</u>
<i>Expenditures and Other Uses:</i>		
General government support	\$ 950,585	\$ 900,660
Public safety	228,461	416,922
Home and community services/economic development	4,672,224	6,398,661
Capital outlays	<u>545,214</u>	<u>147,868</u>
	<u>6,396,484</u>	<u>7,864,111</u>
Excess (Deficiency) for the year	6,583	(24,133)
Fund balance, beginning of year	<u>5,155,574</u>	<u>5,179,707</u>
Fund balance, end of year	<u>\$ 5,162,157</u>	<u>\$ 5,155,574</u>

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Other Post Employment Benefits (OPEB)

The City provides post-employment benefit options for health care and dental insurance to eligible employees. The City of Jamestown, New York complies with the provisions of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. As of December 31, 2011, the net OPEB obligation which is unfunded totaled \$9,825,936 for governmental activities and \$9,213,511 for business-type activities.

Self-Insured Health and Dental Plan

The City maintains a self-insured health and dental care plan for its employees and retirees. The plan is administered by a third party administrator. As health care costs continue to rise, the City has made it a priority during contract negotiations with its various labor units, to negotiate increased employee and retiree contributions, co-pays and deductibles.

Employee Retirement Systems

During recent years, all municipalities in the State of New York, including the City of Jamestown, New York, have experienced a significant increase in the cost of retirement benefits paid on behalf of employees participating in the NYS and Local Employees Retirement System and the NYS and Local Police and Fire Retirement System. For the year ended December 31, 2011 the City contributed 15.9% of eligible wages to the NYS and Local Employees Retirement System and 20.7% of eligible wages to the NYS and Local Police and Fire Retirement System. The New York State Comptroller has projected future contribution rates for 2012 as follows: NYS and Local Employees Retirement System 18.3% and NYS and Local Police and Fire Retirement System 24.6%.

Labor Negotiations

The City of Jamestown, New York maintains labor contracts with various collective bargaining units. The results of future labor contracts could have a significant impact on future operating budgets.

Constitutional Tax Limit

For 2011, the City was at 91.93% of its Constitutional Tax Limit, compared to 89.44% for 2010, and 83.54% for 2009. Over the next several years, the City is anticipating a modest increase in its taxable assessment base resulting from a number of economic development activities.

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 the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report, contact the Office of Comptroller at the City Hall, 200 East Third, Jamestown, New York, 14701, phone (716) 483-7538.

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,840,599	\$ 16,553,286	\$ 25,393,885
Restricted cash	-	<u>6,559,830</u>	<u>6,559,830</u>
Total cash and cash equivalents	8,840,599	23,113,116	31,953,715
Receivables:			
State, federal, and local governments	2,544,980	-	2,544,980
School taxes	1,034,923	-	1,034,923
Accounts and other, net of allowance	197,804	5,693,527	5,891,331
Loans, net of allowance	1,333,807	862,593	2,196,400
Prepaid expenses and deposits	662,509	13,796	676,305
Deposit held in escrow - parking ramps	603,885	-	603,885
Bond issuance costs, net	73,592	-	73,592
Property acquired for taxes and held for sale	24,233	-	24,233
Inventories	43,223	1,883,118	1,926,341
Other assets	-	1,070,074	1,070,074
Deferred charges	-	1,739,834	1,739,834
<i>Capital assets:</i>			
Land and construction in progress	1,207,755	7,794,733	9,002,488
Other capital assets, net of depreciation	<u>37,142,967</u>	<u>115,609,680</u>	<u>152,752,647</u>
Total assets	<u>\$ 53,710,277</u>	<u>\$157,780,471</u>	<u>\$211,490,748</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 1,973,453	\$ 4,347,523	\$ 6,320,976
Due to other governments	1,034,923	-	1,034,923
Bond premium, net	7,434	-	7,434
Consumer deposits	-	709,730	709,730
Retainages payable	-	8,000	8,000
<i>Non current liabilities:</i>			
Due within one year	1,764,010	3,228,000	4,992,010
Due in more than one year	20,309,756	23,240,000	43,549,756
<i>Other noncurrent liabilities:</i>			
Net OPEB obligation	9,825,936	9,213,511	19,039,447
Miscellaneous operating reserves	-	<u>491,744</u>	<u>491,744</u>
Total liabilities	<u>34,915,512</u>	<u>41,238,508</u>	<u>76,154,020</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	18,962,407	96,717,916	115,680,323
<i>Restricted for:</i>			
Capital lease deposit	603,885	-	603,885
Economic development	5,852,832	-	5,852,832
Capital expenditures	3,233,300	-	3,233,300
Risk retention	95,200	-	95,200
Plant dismantling	-	5,258,570	5,258,570
Energy conservation	-	33,985	33,985
Unrestricted	<u>(9,952,859)</u>	<u>14,531,492</u>	<u>4,578,633</u>
Total net assets	<u>18,794,765</u>	<u>116,541,963</u>	<u>135,336,728</u>
Total liabilities and net assets	<u>\$ 53,710,277</u>	<u>\$157,780,471</u>	<u>\$211,490,748</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government:							
Governmental activities:							
General support	\$ 5,333,103	\$ 699,775	\$ 234,870	\$ 346,004	\$ (4,052,454)	\$ -	\$ (4,052,454)
Public safety	11,036,956	637,030	375,856	-	(10,024,070)	-	(10,024,070)
Public improvements and projects	724,833	-	-	-	(724,833)	-	(724,833)
Streets	3,325,100	40,664	-	1,100,606	(2,183,830)	-	(2,183,830)
Culture and recreation	2,193,709	-	-	-	(2,193,709)	-	(2,193,709)
Home and community service/development	4,770,541	420,478	4,263,129	161,335	74,401	-	74,401
Employee benefits	10,039,407	-	-	-	(10,039,407)	-	(10,039,407)
Debt service	856,165	-	-	-	(856,165)	-	(856,165)
Total Governmental activities	<u>38,279,814</u>	<u>1,797,947</u>	<u>4,873,855</u>	<u>1,607,945</u>	<u>(30,000,067)</u>	<u>-</u>	<u>(30,000,067)</u>
Business-type activities:							
Board of Public Utilities	48,008,761	53,286,841	-	-	-	5,278,080	5,278,080
Total Business-type activities	<u>48,008,761</u>	<u>53,286,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,278,080</u>	<u>5,278,080</u>
Total Primary Government	<u>\$ 86,288,575</u>	<u>\$ 55,084,788</u>	<u>\$ 4,873,855</u>	<u>\$ 1,607,945</u>	<u>(30,000,067)</u>	<u>5,278,080</u>	<u>(24,721,987)</u>
General Revenues:							
Property taxes for general purposes					\$ 14,046,131	\$ -	\$ 14,046,131
Sales taxes for general purposes					5,694,930	-	5,694,930
State aid not restricted to specific purpose					4,943,491	-	4,943,491
Board of Public Utilities (PILOT)					3,592,806	-	3,592,806
Investment earnings					126,510	79,505	206,015
Gain on disposal of fixed assets					-	16,290	16,290
Franchise fees and Utilities gross receipts					536,557	-	536,557
Other unclassified revenue					180,389	-	180,389
Other tax items					217,631	-	217,631
Total general revenues					<u>29,338,445</u>	<u>95,795</u>	<u>29,434,240</u>
Change in net assets					(661,622)	5,373,875	4,712,253
Net assets, beginning of year					<u>19,456,387</u>	<u>111,168,088</u>	<u>130,624,475</u>
Net assets, end of year					<u>\$ 18,794,765</u>	<u>\$ 116,541,963</u>	<u>\$ 135,336,728</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,390,723	\$ 3,707,455	\$ 3,742,421	\$ 8,840,599
Receivables:				
State, Federal, and Local Governments	1,829,746	-	715,234	2,544,980
School taxes	1,034,923	-	-	1,034,923
Other	196,917	887	-	197,804
Loans, net of allowance of \$803,524 for loan loss	-	-	1,333,807	1,333,807
Prepaid expenses	662,509	-	-	662,509
Deposit held in escrow - parking ramps	603,885	-	-	603,885
Property acquired for taxes and held for sale	5,590	-	18,643	24,233
Due from other funds	41,974	121,920	168,544	332,438
Inventories	43,223	-	-	43,223
Total Assets	<u>\$ 5,809,490</u>	<u>\$ 3,830,262</u>	<u>\$ 5,978,649</u>	<u>\$15,618,401</u>

LIABILITIES AND FUND BALANCES

Payables:				
Accounts	\$ 619,238	\$ 554,988	\$ 29,706	\$ 1,203,932
School district	1,034,923	-	-	1,034,923
Other	92,938	-	911	93,849
Accrued liabilities	675,672	-	-	675,672
Due to other funds	290,464	41,974	-	332,438
Deferred revenue:				
Restricted grants	-	-	642,676	642,676
Property taxes	5,590	-	-	5,590
Other	2,309	-	143,199	145,508
Total Liabilities	<u>2,721,134</u>	<u>596,962</u>	<u>816,492</u>	<u>4,134,588</u>

FUND BALANCES

Non spendable	1,315,207	-	-	1,315,207
Restricted:				
Capital expenditures	-	3,233,300	-	3,233,300
Economic development	-	-	5,066,957	5,066,957
Risk retention	-	-	95,200	95,200
Assigned	715,000	-	-	715,000
Unassigned	1,058,149	-	-	1,058,149
Total Fund Balances	<u>3,088,356</u>	<u>3,233,300</u>	<u>5,162,157</u>	<u>11,483,813</u>
Total Liabilities and Fund Balances	<u>\$ 5,809,490</u>	<u>\$ 3,830,262</u>	<u>\$ 5,978,649</u>	<u>\$15,618,401</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JAMESTOWN, NEW YORK

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

YEAR ENDED DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 11,483,813
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$68,103,367 and the accumulated depreciation is \$29,752,645.	38,350,722
Bond issuance costs are not financial resources and, therefore, are not reported in the funds. Bond issuance costs totaled \$239,163 and the accumulated amortization is \$165,571.	73,592
Long term liabilities, including bonds and notes payable, capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(22,073,766)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.	(9,825,936)
Bond premium is not due and payable in the current period and therefore is not reported in the funds. Bond premium totaled \$24,163 and the accumulated accretion is \$16,729.	(7,434)
Grants restricted for a specific purpose and other receipts are deferred in the governmental funds until the restriction is met. The government-wide financial statements recognize grants and other receipts when received.	788,184
Property tax revenue is recognized in the period for which levied rather than when available. The governmental funds defer that amount which is not currently available.	<u>5,590</u>
Total net assets - governmental activities	<u>\$18,794,765</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$14,046,131	-	-	\$14,046,131
Real property tax items	217,631	-	-	217,631
Non-property tax items	6,398,104	-	-	6,398,104
Departmental income	725,228	-	420,478	1,145,706
Intergovernmental charges	163,308	-	-	163,308
Use of money and property	37,338	12,387	76,451	126,176
Licenses and permits	198,994	-	-	198,994
Fines and forfeitures	135,268	-	-	135,268
Sale of property/compensation for loss	-	58,255	-	58,255
Other unclassified revenue	19,393	24,898	302,733	347,024
Board of Public Utilities (PILOT)	3,592,806	-	-	3,592,806
Refund of prior year expenditures	90,709	-	-	90,709
State aid	5,913,429	-	1,734,665	7,648,094
Interfund revenues	-	775,237	391,078	1,166,315
Federal aid	-	-	3,477,662	3,477,662
Total revenues	<u>31,538,339</u>	<u>870,777</u>	<u>6,403,067</u>	<u>38,812,183</u>
Expenditures:				
General government support	3,742,793	-	950,585	4,693,378
Public safety	10,573,079	-	228,461	10,801,540
Streets	3,517,458	-	-	3,517,458
Culture and recreation	2,167,897	-	-	2,167,897
Home and community/economic development	829,847	-	4,034,504	4,864,351
Capital outlays	775,237	2,206,908	1,182,934	4,165,079
Employee benefits	8,253,097	-	-	8,253,097
Debt service - principal	1,214,686	-	-	1,214,686
Debt service - interest	822,005	-	-	822,005
Total expenditures	<u>31,896,099</u>	<u>2,206,908</u>	<u>6,396,484</u>	<u>40,499,491</u>
Excess (deficiency) revenues over expenditures	<u>(357,760)</u>	<u>(1,336,131)</u>	<u>6,583</u>	<u>(1,687,308)</u>
Other Sources (Uses):				
Proceeds from issuance of debt	-	4,000,000	-	4,000,000
Interfund transfers	7,000	(7,000)	-	-
Total other sources	<u>7,000</u>	<u>3,993,000</u>	<u>-</u>	<u>4,000,000</u>
Net change in fund balances	<u>(350,760)</u>	<u>2,656,869</u>	<u>6,583</u>	<u>2,312,692</u>
Fund balances, beginning of year	<u>3,439,116</u>	<u>576,431</u>	<u>5,155,574</u>	<u>9,171,121</u>
Fund balances, end of year	<u>\$ 3,088,356</u>	<u>\$ 3,233,300</u>	<u>\$ 5,162,157</u>	<u>\$11,483,813</u>

The accompanying notes are an integral part to these financial statements.

CITY OF JAMESTOWN, NEW YORK

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities**

**Governmental Funds
YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds	\$ 2,312,692
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$4,036,675 exceeded depreciation expense of \$2,377,529 in the current year.	1,659,146
Governmental funds report bond issuance costs as expenditures. However, in the statement of activities, bond issuance costs are allocated over the life of the issued bonds. Amortization expense totaled \$8,719 in the current year.	(8,719)
Governmental funds report the premium on bonds issued as revenue. However, in the statement of activities, the bond premium is accreted over the life of the issued bonds. Premium accretion totaled \$881 in the current year.	881
The increase in the Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.	(2,346,103)
Governmental funds recognize as an expenditure the net decrease in the liability for compensated absences. The government-wide financial statements recognize these expenditures as a net decrease in the liability for compensated absences.	427,782
Governmental funds report bond and other debt proceeds as other financing sources while repayment of principal is reported as an expenditure. The net effect of these differences in the treatment of bond and other debt proceeds as well as the payment of principal is as follows:	
<i>Proceeds from issuance of:</i>	
General obligation bond	\$ (4,000,000)
<i>Principal payments:</i>	
General obligation bonds	440,000
Notes payable - Board of Public Utilities	69,141
Note payable - NYPA	252,521
Notes payable for equipment purchases	248,024
Notes payable - NYS Police/Fire Retirement System	106,570
Obligations under capital leases	<u>205,000</u>
	(2,678,744)
Grants restricted for a specific purpose and other receipts are deferred in the governmental funds until the restriction is met. The government-wide financial statements recognize restricted grants and other receipts when received.	<u>(28,557)</u>
Change in net assets of governmental activities	<u>\$ (661,622)</u>

The accompanying notes are an integral part to these financial statements.

**CITY OF JAMESTOWN, NEW YORK
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS**

DECEMBER 31, 2011

**Business-type Activities
 Enterprise Fund
Board of Public Utilities**

ASSETS

Current assets:

Cash and cash equivalents	\$ 16,553,286
Restricted cash	6,559,830
Receivables:	
Accounts, net of allowance of \$294,155	5,214,725
Affiliates	478,802
Inventories, at average cost	1,883,118
Other current and accrued assets	<u>1,056,419</u>
Total current assets	<u>31,746,180</u>

Other assets and investments:

Notes receivable from City of Jamestown, New York	862,593
Deposits and prepayments	13,796
Non-utility property	<u>13,655</u>
Total noncurrent assets	<u>890,044</u>

Property and equipment, less accumulated depreciation 123,404,413

Deferred charges 1,739,834

Total Assets \$157,780,471

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 4,347,523
Consumer deposits	709,730
Retainages payable	8,000
Current maturities of long-term debt	<u>3,228,000</u>
Total current liabilities	<u>8,293,253</u>

Non-current liabilities:

Long term debt, less current maturities	23,240,000
Accumulated post employment benefit obligation	9,213,511
Miscellaneous operating reserves	491,744
Total noncurrent liabilities	<u>32,945,255</u>

Total Liabilities 41,238,508

NET ASSETS

Invested in capital assets, net of related debt	96,717,916
Restricted for:	
Plant dismantling	5,258,570
Energy conservation	33,985
Unrestricted	<u>14,531,492</u>
Total net assets	<u>116,541,963</u>

Total Liabilities and Net Assets \$157,780,471

The accompanying notes are an integral part to these financial statements.

**CITY OF JAMESTOWN, NEW YORK
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	Business-type Activities Enterprise Fund Board of Public Utilities
Operating Revenues	<u>\$ 53,286,841</u>
Operating Expenses:	
Operations	25,241,746
Depreciation and amortization	6,581,257
Administrative and general	7,329,667
Payments in lieu of taxes to primary government	3,592,806
Taxes	2,294,449
Consumer accounts	1,045,520
Repairs and maintenance	<u>672,276</u>
Total Operating Expenses	<u>46,757,721</u>
Operating Income	<u>6,529,120</u>
Non-operating Expense (Revenue):	
Interest expense	1,251,040
Interest income	(79,505)
Gain on disposal of fixed assets	<u>(16,290)</u>
Total Non-operating Expense, net	<u>1,155,245</u>
Change in net assets	5,373,875
Net assets, beginning of year	<u>111,168,088</u>
Net assets, end of year	<u>\$116,541,963</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF JAMESTOWN, NEW YORK
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2011

**Business-type Activities
 Enterprise Fund
Board of Public Utilities**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 51,688,491
Cash paid to suppliers and employees	(34,702,953)
Cash paid for taxes and payments in lieu of taxes	<u>(5,585,908)</u>
Net cash provided by operating activities	<u>11,399,630</u>
Cash Flows from Noncapital Financing Activities:	
Principal payments received on loans receivable from primary government	<u>69,141</u>
Net cash provided by noncapital financing activities	<u>69,141</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(4,063,563)
Interest paid on long-term debt	(1,246,425)
Principal payments on long-term debt	(3,083,000)
Proceeds from sale of capital assets	<u>16,290</u>
Net cash used in capital and related financing activities	<u>(8,376,698)</u>
Cash Flows from Investing Activities:	
Interest income	79,505
Change in restricted cash	<u>(242,315)</u>
Net cash used in investing activities	<u>(162,810)</u>
Net increase in cash and cash equivalents	2,929,263
Cash and cash equivalents, beginning of year	<u>13,624,023</u>
Cash and cash equivalents, end of year	<u>\$ 16,553,286</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Operating income	\$ 6,529,120
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	6,581,257
Provision for losses on accounts receivable	127,417
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	(1,594,362)
Inventories	(399,960)
Deferred charges	(64,873)
Other current and accrued assets	263,971
Accounts payable and accrued liabilities	(67,183)
Retainages payable	(119,750)
Accumulated post employment benefit obligation	40,876
Consumer deposits	102,621
Miscellaneous operating reserves	496
Net cash provided by operating activities	<u>\$ 11,399,630</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF JAMESTOWN, NEW YORK
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

DECEMBER 31, 2011

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,733,024	\$ 42,490	\$ 1,805,514
Amount held in escrow by agent	15,000	-	15,000
Advances receivable	<u>19,896</u>	<u>-</u>	<u>19,896</u>
Total assets	<u>\$ 1,797,920</u>	<u>\$ 42,490</u>	<u>\$ 1,840,410</u>
<u>Liabilities</u>			
Amounts held in custody for others	<u>1,797,920</u>	<u>-</u>	<u>1,797,920</u>
Total liabilities	<u>1,797,920</u>	<u>-</u>	<u>1,797,920</u>
<u>Net Assets</u>			
Net assets held in trust	<u>-</u>	<u>42,490</u>	<u>42,490</u>
Total net assets	<u>-</u>	<u>42,490</u>	<u>42,490</u>
Total liabilities and net assets	<u>\$ 1,797,920</u>	<u>\$ 42,490</u>	<u>\$ 1,840,410</u>

The accompanying notes are an integral part of the financial statements.

CITY OF JAMESTOWN, NEW YORK

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2011

	Recreation Department Trust Funds
Additions:	
Miscellaneous revenues	\$ 22,927
Interest income	<u>118</u>
Total additions	<u>23,045</u>
Deductions:	
Culture and recreation	\$ 25,113
Total deductions	<u>25,113</u>
Change in Net Assets	(2,068)
Net assets held in trust:	
Beginning of Year	<u>44,558</u>
End of Year	<u>\$ 42,490</u>

The accompanying notes are an integral part of the financial statements.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jamestown, New York have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

The City of Jamestown, New York, which was established in 1886, is governed by City Law and other general laws of the State of New York and various local laws. The City Council is the legislative body responsible for overall operations and the Mayor serves as chief fiscal officer. The City is located in the County of Chautauqua, New York.

The City provides the following basic services: general government support, police and fire protection, safety inspection, highway maintenance, recreation programs, water service, street lighting, garbage collection, electric and district heating services.

The decision to include a potential component unit in the City's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the City's reporting entity:

Board of Public Utilities

The Board of Public Utilities was established under Section 122 of the Jamestown City Code to supply the Jamestown area, as well as other municipalities, with electricity, water, sewer, sanitation and district heating services. Under Section 127 of the Jamestown City Code, it is the City Council's responsibility to provide for any deficiency in sinking fund requirements for all bonds outstanding. Under Section 129 of the Jamestown City Code, the City Council is responsible for financial matters. Thus, the Board of Public Utilities is included in the reporting entity as a business-type activity.

Department of Development

The Department of Development was established under Section 163(a) of the Jamestown City Code to coordinate and carry out the directives and policies of planning, urban renewal, housing, improvement of the central business district and industrial development within the geographic boundaries of the City. The majority of the Board is comprised of City Council members, the Mayor and the Director of Finance. Financial activity for the Department of Development is included in the Special Revenue Fund in the accompanying basic financial statements.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and post-employment health care benefits, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in other funds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and improvements to facilities, and procurement of equipment.
- The *special revenue fund* accounts for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditure for specified purposes.
- The *debt service fund* accounts for the proceeds of the refunding serial bonds issued, the premium received upon issuance, serial bonds retired, and debt issuance cost.

The City reports the following major proprietary fund:

- The *Board of Public Utilities* is used to account for the operations of the Municipal Electric System, Municipal Water System, Municipal Waste Water System, Solid Waste Division, and District Heating Division.

Additionally, the City reports the following fund type:

- Fiduciary funds include *agency funds* and *expendable trust funds* which are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Board of Public Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Governmental Fund Financial Statements

During the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 changes terminology and classification of fund balance to reflect spending constraints on resources, rather than the availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: non spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the City is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

Non spendable - Consists of assets inherently non spendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, and financial assets held for resale.

Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. The City's legally adopted reserves are reported here.

Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the City's highest level of decision making authority prior to the end of the fiscal year, which requires the same level of formal action to remove the said constraint.

Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the City's highest level of decision making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual of fund balance.

Unassigned - Represents the residual classification of the City's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from over spending amounts restricted, committed, or assigned for specific purposes.

The City has not adopted any resolutions to commit fund balance. The City's policy is to apply expenditures against non spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City pools cash resources of its various funds in order to facilitate the management of cash. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State statutes govern the City's investment policies. City monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposits at 102% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

Due to and Due from Other Funds

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Real Property Taxes

The City's real property taxes are levied annually on January 1, and are due January 31. In addition, the City collects real property taxes on behalf of the County of Chautauqua, New York, and school taxes on behalf of the Jamestown City School District. The City maintains a real property tax collection and enforcement agreement with the County of Chautauqua, New York. Pursuant to the terms of the agreement, on or about April 1 of each year, all City, County and School District taxes which remain unpaid are submitted to the County of Chautauqua, New York for collection and enforcement.

On April 1 of each year, the City is required to remit to the County all taxes collected by the City on behalf of the County minus any deficiency in the collection of City taxes up to 100% of the City's tax levy. The real property tax collection and enforcement agreement with the County of Chautauqua, New York guarantees the City 100% of its tax levy.

Real property taxes and similar items collected within 60 days following December 31 are recognized as revenue. Deferred revenues include real property taxes and similar items not collected within this period.

Inventories and Prepaid Items

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Certain payments for insurance and retirement reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities and Net Assets or Equity (Cont'd)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest 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.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Maintenance equipment	15
Land improvements	20
Infrastructure:	
Streets	20-40
Sidewalks	20-40
Storm sewers	50
Machinery and equipment:	
Furniture and furniture	10
Heavy equipment	15
Vehicles	5
Computers	5

Compensated Absences

Full time, permanent employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time within twelve months from the date that vacation time is credited to their account (employee anniversary date). Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated by active employees. Unused accumulated sick leave is paid to employees who retire with ten or more years of continuous service, to a maximum of 200 days.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities and Net Assets or Equity (Cont'd)

Compensated Absences (Cont'd)

Vested or accumulated general leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. The government-wide financial statements include a liability for compensated absences for employees who have attained age 55 and are participants in the NYS Employees Retirement System and employees with twenty years of service who are participants in the NYS Police and Fire Retirement System.

Vested or accumulated general leave attributable to employees of the proprietary fund's Board of Public Utilities is recorded as an expense and liability of that fund as the benefits accrue to employees.

Long-term Obligations

In the government-wide financial statements, and 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, business-type activities, or the proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

E. Other Items

Post-employment Benefits

In addition to providing pension benefits, the City provides health and dental insurance coverage and survivor benefits for retired employees and their survivors. Retired employees and survivors are eligible for continued participation in the same health and dental insurance plans of the City as provided for active employees, provided that such retirees continue to pay to the City an amount equal to amounts paid towards health and dental insurance premiums as active employees are required to pay to participate in said health and dental insurance. Upon the death of an eligible retired employee, the spouse of such employee may continue to participate in the aforementioned health and dental insurance plans provided such spouse continues to pay the portion of premiums required to be paid by an active employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Statement of Cash Flows (Business-type Activities)

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

Insurance

The City purchases insurance covering liability for most risks including, but not limited to, property damage, general liability, vehicle liability, workers' compensation and excess liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

In addition, the City acts as a self-insurer for health and dental insurance. The City maintained stop/loss insurance for claims which exceed the individual specific deductible of \$150,000. It is the City's policy to estimate the cost of claims outstanding at year end and record this amount as a liability.

Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 3, 2012, which is the date the financial statements were available to be issued.

F. Budgets and Budgetary Accounting

Budget Policies

No later than September 30, the City Comptroller submits a tentative budget to the City for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds. After public hearings are conducted to obtain taxpayer comments, no later than December 1st, the City Council adopts the budget. All modifications of the budget must be approved by the City Council.

Budgetary Control

The appropriated budget for each fund is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Budgetary control over individual capital projects is provided by City Council approval of bond authorizations and provisions of bond indebtedness.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits and Investments

Deposits and investments are valued at cost and are categorized as either (1) insured or collateralized with securities held by the City or its agent in the City's name, (2) collateralized with securities held by the pledging financial institution's trust department or agency in the City's name; or (3) uncollateralized; this includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the City's name. Deposits and investments at year end were entirely covered by Federal Depository Insurance and collateralized with securities held by the pledging financial institutions's trust department in City's name.

Carrying amounts of deposits (including restricted cash)	\$ 33,759,229
Less Fiduciary Funds cash and equivalents	<u>(1,805,514)</u>
Total cash and equivalents - Government-wide Statement of Net Assets	<u>\$ 31,953,715</u>
Governmental activities	\$ 8,840,599
Business-type activities	<u>23,113,116</u>
	<u>\$ 31,953,715</u>

The City's financial institution (bank) balances at December 31, 2011 were fully FDIC insured and/or collateralized.

NOTE 3 - CONSTITUTIONAL TAX MARGIN AND LIMIT

Constitutional Tax Margin

The City's constitutional tax margin for the year ended December 31, 2011 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2006-2010)	<u>\$674,547,688</u>
<u>Constitutional Tax limit</u>	
2% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 13,490,954</u>
<u>2011 Tax Levy less Statutory Exclusions</u>	
Total tax levy for 2011	<u>\$ 14,048,004</u>
<i>Statutory Exclusions from Constitutional Tax Limit:</i>	
Debt service for General Obligation Bonds	(791,819)
Budgetary appropriations for capital expenditures	(861,500)
Revenue designated for debt service	<u>7,000</u>
Total statutory exclusions	<u>(1,646,319)</u>
Tax levy subject to constitutional tax limit	<u>\$ 12,401,685</u>
Constitutional tax margin	<u>\$ 1,089,269</u>

Constitutional Tax Limit

For 2011, the City's tax levy (subject to the constitutional tax limit) totaled \$12,401,685 which was 91.93% of its constitutional tax limit of \$13,490,954.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 follows:

Governmental Activities

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,207,755	\$ -	\$ -	\$ 1,207,755
<i>Total capital assets not being depreciated</i>	<u>1,207,755</u>	<u>-</u>	<u>-</u>	<u>1,207,755</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	24,870,198	1,644,434	-	26,514,632
Buildings and structures	23,733,633	638,073	-	24,371,706
Equipment	12,289,192	1,603,766	(45,932)	13,847,026
Vehicles	2,011,846	150,402	-	2,162,248
<i>Total capital assets being depreciated</i>	<u>62,904,869</u>	<u>4,036,675</u>	<u>(45,932)</u>	<u>66,895,612</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	8,160,274	853,176	-	9,013,450
Buildings and structures	9,902,077	660,942	-	10,563,019
Equipment	7,708,531	725,258	(45,932)	8,387,857
Vehicles	1,650,166	138,153	-	1,788,319
<i>Total accumulated depreciation</i>	<u>27,421,048</u>	<u>2,377,529</u>	<u>(45,932)</u>	<u>29,752,645</u>
<i>Total capital assets being depreciated, net</i>	<u>35,483,821</u>	<u>1,659,146</u>	<u>-</u>	<u>37,142,967</u>
Governmental activities capital assets, net	<u>\$36,691,576</u>	<u>\$ 1,659,146</u>	<u>\$ -</u>	<u>\$38,350,722</u>

Depreciation Expense

Capital assets are stated at cost. Depreciation expense is calculated utilizing the straight-line method.

Depreciation expense for the year ended December 31, 2011 is summarized as follows:

Governmental activities:	
General support	\$ 639,964
Public safety	264,045
Streets	529,807
Culture and recreation	38,802
Home and Community	904,911
Total depreciation expense	<u>\$ 2,377,529</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Cont'd)

Business-type activities

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,044,413	\$ -	\$ -	\$ 2,044,413
Construction in progress	<u>11,749,052</u>	<u>2,739,302</u>	<u>(8,738,034)</u>	<u>5,750,320</u>
<i>Total capital assets not being depreciated</i>	<u>13,793,465</u>	<u>2,739,302</u>	<u>(8,738,034)</u>	<u>7,794,733</u>
<i>Capital assets being depreciated:</i>				
Electric Division	143,508,495	2,688,553	(727,636)	145,469,412
Waste Water Division	35,955,555	3,766,513	-	39,722,068
Water Division	32,944,143	1,440,097	(67,128)	34,317,112
Solid Waste Division	1,806,993	17,643	-	1,824,636
District Heat Division	<u>8,474,072</u>	<u>2,235,576</u>	<u>-</u>	<u>10,709,648</u>
<i>Total capital assets being depreciated</i>	<u>222,689,258</u>	<u>10,148,382</u>	<u>(794,764)</u>	<u>232,042,876</u>
<i>Less accumulated depreciation:</i>				
Electric Division	64,723,958	4,983,319	(865,640)	68,841,637
Waste Water Division	25,582,821	548,790	-	26,131,611
Water Division	14,052,911	731,752	(66,411)	14,718,252
Solid Waste Division	835,419	106,415	-	941,834
District Heat Division	<u>5,434,912</u>	<u>364,950</u>	<u>-</u>	<u>5,799,862</u>
<i>Total accumulated depreciation</i>	<u>110,630,021</u>	<u>6,735,226</u>	<u>(932,051)</u>	<u>116,433,196</u>
<i>Total capital assets being depreciated, net</i>	<u>112,059,237</u>	<u>3,413,156</u>	<u>137,287</u>	<u>115,609,680</u>
Business-type activities capital assets, net	<u>\$125,852,702</u>	<u>\$ 6,152,458</u>	<u>\$ (8,600,747)</u>	<u>\$123,404,413</u>

Construction in Progress

Current year construction in progress additions included in the Waste Water Division are funded in part with a New York State grant awarded in the 2010 year in the amount of \$2,427,250.

Depreciation Expense

Capital assets are stated at cost, which includes payroll and payroll related costs, transportation costs, and overhead. Depreciation of capital assets is computed using group composite straight-line rates. When capital assets are retired, the capitalized cost, together with the cost of removal less salvage value, if any, are charged to the accumulated depreciation.

Depreciation expense for the year ended December 31, 2011 was comprised of the following:

	<u>Depreciation Expense</u>	<u>Proceeds From Sale of Property</u>	<u>Depreciation expense allocated to various expense accounts</u>	<u>Total</u>
Business-type activities:				
Electric Division	\$ 4,738,080	\$ 51,541	\$ 193,698	\$ 4,983,319
Waste Water Division	548,790	-	-	548,790
Water Division	731,752	-	-	731,752
Solid Waste Division	106,415	-	-	106,415
District Heat Division	<u>364,950</u>	<u>-</u>	<u>-</u>	<u>364,950</u>
Total depreciation expense	<u>\$ 6,489,987</u>	<u>\$ 51,541</u>	<u>\$ 193,698</u>	<u>\$ 6,735,226</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Governmental and Business-type Activities:

Summary of Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended December 31, 2011 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 6,215,000	\$ 4,000,000	\$ (440,000)	\$ 9,775,000	\$ 625,000
<i>Notes and capital lease obligations:</i>					
Board of Public Utilities:					
Note payable-Electric Division	842,755	-	(62,251)	780,504	65,036
Note payable-District Heat Division	78,789	-	(4,493)	74,296	4,676
Note payable-Electric Division	10,190	-	(2,397)	7,793	2,495
Note payable - NYPA (Via BPU)	1,664,638	-	(252,521)	1,412,117	253,812
Equipment note payable	554,936	-	(115,392)	439,544	119,781
Equipment note payable	341,693	-	(132,632)	209,061	137,990
NYS Police/Fire Retirement System	283,873	-	(65,863)	218,010	69,156
NYS Police/Fire Retirement System	224,933	-	(40,707)	184,226	42,742
Capital lease obligation-Parking ramps	<u>6,895,000</u>	<u>-</u>	<u>(205,000)</u>	<u>6,690,000</u>	<u>215,000</u>
Sub-total	<u>10,896,807</u>	<u>-</u>	<u>(881,256)</u>	<u>10,015,551</u>	<u>910,688</u>
Compensated absences	<u>2,710,997</u>	<u>-</u>	<u>(427,782)</u>	<u>2,283,215</u>	<u>228,322</u>
Total Governmental activities	<u>\$19,822,804</u>	<u>\$ 4,000,000</u>	<u>\$ (1,749,038)</u>	<u>\$22,073,766</u>	<u>\$ 1,764,010</u>
<u>Business-type Activities:</u>					
General obligation bonds and notes	\$29,551,000	\$ -	\$ (3,083,000)	\$26,468,000	\$ 3,228,000
Total Business-type activities	<u>\$29,551,000</u>	<u>\$ 4,000,000</u>	<u>\$ (3,083,000)</u>	<u>\$26,468,000</u>	<u>\$ 3,228,000</u>

Bond Issuance Costs and Accumulated Amortization

Governmental Activities

Bond issuance costs for the 2006 Refunding Serial Bonds are being amortized over the life of the bonds and are summarized as follows:

Bond issuance costs	\$ 239,163
Accumulated amortization	(165,571)
Bond issuance costs, net	<u>\$ 73,592</u>

Amortization expense for the year ended December 31, 2011 totaled \$8,719 and is included in debt service costs.

Business-type Activities

The business-type activities include the unamortized debt issuance costs for the 2006 Refunding Serial Bonds in deferred charges.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Governmental and Business-type Activities (Cont'd):

Constitutional Debt Limit

As of December 31, 2011, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2007-2011)	<u>\$673,781,070</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 47,164,675</u>
Indebtedness subject to constitutional debt limit:	
Governmental activities	9,775,000
Business-type activities	<u>438,000</u>
	<u>10,213,000</u>
Net Debt Contracting Margin	<u>\$ 36,951,675</u>
Percentage of Debt Contracting Power Exhausted	<u>21.65%</u>

Governmental Activities - Additional Debt Disclosures:

General Obligation Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
1991 Public Improvement	2015	7.0%	\$ 95,000	\$ -	\$ (35,000)	\$ 60,000
2006A Bond Refunding	2019	3.5%-4.5%	810,000	-	(160,000)	650,000
2006C Bond Refunding	2020	3.5%-4.0%	645,000	-	(110,000)	535,000
2010A Public Improvement	2025	4.0%-4.25%	4,665,000	-	(135,000)	4,530,000
2011A Public Improvement	2026	3.5%-4.25%	-	4,000,000	-	4,000,000
			<u>\$ 6,215,000</u>	<u>\$ 4,000,000</u>	<u>\$ (440,000)</u>	<u>\$ 9,775,000</u>

Notes Payable and Capital Lease Obligation

As of December 31, 2011, notes payable and obligations under capital lease obligation were comprised of the following:

<u>Description</u>	<u>Amount</u>
Note payable to City of Jamestown, NY Board of Public Utilities-Electric Division, payable \$7,902 per month including interest at 4.0% through December 2021.	\$ 780,504
Note payable to City of Jamestown, NY Board of Public Utilities-District Heat Division, payable \$630 per month including interest at 4.0% through June 2024.	74,296
Note payable to City of Jamestown, NY Board of Public Utilities-Electric Division, payable \$230 per month including interest at 4.0% through December 2014.	7,793
Note payable to New York Power Authority (NYPA), issued via the Board of Public Utilities, payable \$21,926 per month including interest through June 2017, at a variable rate. At December 21, 2011 the variable rate was .88%.	1,412,117
Equipment note payable, payable \$33,648 per quarter including interest at 3.75% through May 2015.	439,544

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Governmental Activities - Additional Debt Disclosures (Cont'd):

Notes Payable and Capital Lease Obligation (Cont'd)

<u>Description</u>	<u>Amount</u>
Equipment note payable, payable \$36,067 per quarter including interest at 3.4% through May 2013.	\$ 209,061
Note payable to New York State Police and Fire Retirement System, payable \$80,056 per year including interest at 5.0% through December 2013.	218,010
Note payable to New York State Police and Fire Retirement System, payable \$51,954 per year including interest at 5.0% through December 2014.	184,226
Capital lease obligation for parking ramps, payable \$50,360 per month including interest at 5.9% through February 2030. Secured by parking ramps.	6,690,000
	<u>\$ 10,015,551</u>

Compensated absences

As explained in Note 1, compensated absences for employees who have attained age 55 and are participants in the NYS Employees Retirement System and employees with twenty years of service who are participants in the NYS Police and Fire Retirement System are included as a liability in the government-wide financial statements. The Governmental funds include as an expenditure, matured compensated absences which are payable to currently terminating employees.

Governmental-activities Debt Service Requirements

The annual debt service requirements to maturity for general obligation bonds, notes payable, and capital lease obligations as of December 31, 2011 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Notes/Capital Lease Obligation</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 625,000	\$ 462,406	\$ 910,688	\$ 466,593	\$ 1,535,688	\$ 928,999
2013	720,000	359,040	868,157	436,817	1,588,157	795,857
2014	740,000	330,635	822,054	409,750	1,562,054	740,385
2015	670,000	301,315	702,151	382,599	1,372,151	683,914
2016	600,000	276,312	600,829	361,855	1,200,829	638,167
2017-2021	3,215,000	1,001,188	2,161,672	1,496,560	5,376,672	2,497,748
2022-2026	3,205,000	310,807	2,080,000	919,170	5,285,000	1,229,977
2027-2030	-	-	1,870,000	231,000	1,870,000	231,000
Totals	<u>\$ 9,775,000</u>	<u>\$ 3,041,703</u>	<u>\$10,015,551</u>	<u>\$ 4,704,344</u>	<u>\$19,790,551</u>	<u>\$ 7,746,047</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (Cont'd)

Business-type Activities - Additional Debt Disclosures:

Bonds and Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
<i>Electric:</i>						
Improvement Bond	2016	7.00%	\$ 3,155,000	\$ -	\$ (640,000)	\$ 2,515,000
2006 Bond Refunding	2019	4.00-5.00%	18,100,000	-	(1,720,000)	16,380,000
Improvement Bond	2025	4.13-5.00%	3,750,000	-	(250,000)	3,500,000
<i>District Heating:</i>						
2010A General Obligation Bond	2030	4.00-4.50%	3,000,000	-	(35,000)	2,965,000
Improvement Bond	2026	4.00-5.00%	700,000	-	(30,000)	670,000
<i>Waste Water:</i>						
NYS Environmental Facilities	2012	4.25-6.65%	635,000	-	(315,000)	320,000
NYS Environmental Facilities	2012	5.70-6.50%	136,000	-	(68,000)	68,000
Improvement Bond	2013	7.00%	75,000	-	(25,000)	50,000
			<u>\$29,551,000</u>	<u>\$ -</u>	<u>\$ (3,083,000)</u>	<u>\$26,468,000</u>

Business-type Activities Debt Service Requirements

The annual debt service requirements to maturity for business-type activities general obligation bonds and notes as of December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,228,000	\$ 1,147,742	\$ 4,375,742
2013	2,905,000	996,975	3,901,975
2014	2,925,000	868,335	3,793,335
2015	2,820,000	729,246	3,549,246
2026	2,715,000	612,620	3,327,620
2017-2021	8,910,000	1,488,143	10,398,143
2022-2026	2,135,000	430,350	2,565,350
2027-2030	830,000	74,832	904,832
Totals	<u>\$26,468,000</u>	<u>\$ 6,348,243</u>	<u>\$32,816,243</u>

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

1. PENSION PLANS

General Information

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost sharing multiple employer, public employee retirement systems. 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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

Plan Descriptions

Employees Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Local Police and Fire Retirement System (PFRS)

The New York State and Local Police and Fire Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to the New York State and Local Police and Fire Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policies

The Systems are non-contributory except for the following:

- Employees who joined the New York State and Local Employees Retirement System (ERS) after July 27, 1996 are required to contribute 3% of their gross earnings during their first ten years of employment.
- Effective January 1, 2010, Tier V employees are required to contribute 3% of their gross earnings for all years of public service.

For the New York State and Local Employees Retirement System, the State Comptroller shall certify annually the rates expressed as proportions of members payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required and actual contributions for the current and two preceding years were:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
	<u>NYS and Local Employees</u>	<u>NYS and Local Police and Fire</u>	<u>NYS and Local Employees</u>
2011	\$ 960,979	\$1,822,960	\$1,219,062
2010	\$ 653,400	\$1,388,768	\$ 900,758
2009	\$ 408,397	\$1,125,961	\$ 566,704

The City's contributions made to the Systems were equal to 100% of the contributions required for each year.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

The City provides post-employment benefit options for health care and dental insurance to eligible employees, terminated employees, and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include years of service, employee age, and disability due to line of duty. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the City subsidizing the remaining costs. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by actions of the City Council for governmental activities and the Board for the Business-type activities, pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members varies depending on the applicable agreement. Other post-employment benefit costs are currently are satisfied on a pay-as-you-go basis.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

Annual OPEB Cost and Net OPEB Obligation

The annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers providing plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the City's net OPEB obligation at December 31, 2011.

Annual OPEB Cost and Net OPEB Obligation

	Governmental Activities	Business type Activities	Total
Annual Required Contribution (ARC)	\$ 4,954,567	\$ 303,027	\$ 5,257,594
Interest on net OPEB Obligation	336,592	412,768	749,360
Adjustment to annual required contribution	<u>(309,529)</u>	<u>(379,580)</u>	<u>(689,109)</u>
Annual OPEB Cost	4,981,630	336,215	5,317,845
Less expected Contributions	<u>(2,635,527)</u>	<u>(295,339)</u>	<u>(2,930,866)</u>
Increase in Net OPEB Obligation	2,346,103	40,876	2,386,979
Net OPEB obligation, January 1, 2011	<u>7,479,833</u>	<u>9,172,635</u>	<u>16,652,468</u>
Net OPEB obligation, December 31, 2011	<u>\$ 9,825,936</u>	<u>\$ 9,213,511</u>	<u>\$ 19,039,447</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (Cont'd)

2. OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Cont'd)

Funded Status and Funding Progress

	As of 12/31/11 Governmental Activities	As of 12/31/10 Business type Activities	Total
Actuarial Accrued Liability (AAL)	\$ 83,976,836	\$ 5,465,137	\$ 89,441,973
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 83,976,836	\$ 5,465,137	\$ 89,441,973
Covered Payroll	\$ 16,031,248	\$ 7,448,136	\$ 23,479,384
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>523.83%</u>	<u>.73%</u>	<u>380.94%</u>

The projection of future benefit payments for an ongoing plan involves estimates of the value of 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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The 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. The following assumptions were made:

The December 31, 2011 actuarial valuation utilized the entry age actuarial cost method. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets since currently, the plan has no assets at the valuation date to establish an investment rate, and an annual healthcare cost trend of 9% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 3% inflation assumption. Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payrolls on an open basis. As of December 31, 2011, the amortization period was twenty-seven years.

For Business-type activities, the significant decrease in the AAL from the December 31, 2008 valuation is the result of the following: 1) Many retirees have left the plan since the last collected census, 2) Over age 65 premiums (and therefore contributions) have increased significantly compared to claims for those over age 65 retirees who are contributing the premiums, 3) The change in retiree contribution from 100% to contributions based on years of service.

3. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by independent plan administrators through administrative service agreements. The Plan, available to all eligible City employees, permits employees to defer a portion of their salary until termination, retirement, death or unforeseeable emergency.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTERFUND ACTIVITY OF GOVERNMENTAL FUNDS

The governmental funds include interfund balances and activity as of and for the year ended December 31, 2011 as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ 41,974	\$ 290,464	\$ 7,000	\$ -
Capital Projects Fund	121,920	41,974	-	7,000
Special Revenue Fund	<u>168,544</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 332,438</u>	<u>\$ 332,438</u>	<u>\$ 7,000</u>	<u>\$ 7,000</u>

Interfund balances and activity are eliminated in the government-wide financial statements.

NOTE 8 - FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - GENERAL FUND BUDGET AMENDMENTS

Original budget	<u>\$31,941,680</u>
<i>Amendments:</i>	
General government support	112,649
Public safety	(59,381)
Streets	(29,520)
Culture and recreation	250,468
Home and community services	43,000
Capital outlays	237
Employee benefits	(306,421)
Debt service - interest	<u>1,150</u>
Total amendments	<u>12,182</u>
Revised budget	<u>\$31,953,862</u>

NOTE 10 - LITIGATION

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - BUSINESS-TYPE ACTIVITIES OTHER DISCLOSURES (Board of Public Utilities)

1. Summary of Accounting Policies

Business

The Board of Public Utilities was established under Section 122 of the Jamestown City Code. The Board of Public Utilities operates five divisions which include Electric, Water, Solid Waste, Waste Water, and District Heating.

Basis of Presentation

In its accounting and financial reporting, the Divisions follow the pronouncements of the Governmental Accounting Standards Board (GASB), as well as applying the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Capital Assets and Depreciation

Capital assets are stated at cost, which includes salaries and benefits, transportation costs, and overhead. Depreciation of capital assets are computed using group composite straight-line rates. When assets are retired, their cost, together with the cost of removal less salvage, if any, is charged to accumulated depreciation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Divisions consider all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Post Employment Benefits

The Divisions provide health insurance coverage for current and future retirees and their spouses.

Fair Value of Financial Instruments

The Divisions financial instruments consist of cash, investments, and any short term debt. The carrying amounts of these financial instruments approximate their fair value due to the short-term nature of the financial instruments.

Health Insurance

The Divisions fund its health costs through self-insured health premiums. The Divisions employ an administrator to manage the self-insurance plan. Monthly premiums, based on prior experience, are deposited in a separate bank account from which the administrator pays out funds for health claims, prescriptions, administration fees, and stop loss insurance premiums. Stop loss coverage is \$110,000 per occurrence effective May 1, 2010.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Accounts Receivable

Accounts receivable are carried at their net realizable value. The Divisions policy is to accrue a penalty on past due customer receivables. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts totaled \$294,155 as of December 31, 2011.

Utilization of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets

Net assets are classified into two categories according to availability of assets for satisfaction of the Divisions obligations. The Divisions net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the Divisions total investments in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Unrestricted - Unrestricted net assets represent resources derived from services and other operating revenue.

Classification of Revenues

The Divisions have classified its revenues as either operating or non-operating in accordance with the following:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions for providing services to customers.

Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and other revenues as defined by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, such as income from investments..

Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 16, 2012, which is the date the financial statements were available to be issued.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

2. Restricted Cash and Cash Equivalents

As of December 31, 2011 restricted cash and cash equivalents was comprised of the following:

Plant dismantling	\$5,258,570
Installation of natural gas boiler plant	809,516
Economic development	<u>491,744</u>
	<u>\$6,559,830</u>

3. Deferred Charges

As of December 31, 2011, deferred charges were comprised of the following:

Compensated absences	\$1,018,219
Unamortized debt issuance costs	<u>721,615</u>
	<u>\$1,739,834</u>

4. Municipal Electric System Disclosures

Major Customer

The Municipal Electric System sells excess energy off-system, commonly referred to as inadvertent sales, to a major distributor of electricity, NYISO. Revenues received by the Electric System from this distributor amounted to approximately 9.1% and 8.3% of Electric System revenue for the years ended December 31, 2011 and 2010, respectively.

Contingencies

The Municipal Electric System has received notice of potential liability for a contribution toward clean up costs for two super fund sites. Transformer carcasses, previously owned by the Electric System were shipped to these sites for disposal. Although the Electric System potentially has joint responsibility for additional contributions to these sites, management believes that any additional liability would not have a material effect on operations.

Miscellaneous Operating Reserves (Liability)

At December 31, 2011, the non-current liability for miscellaneous operating reserve for economic development totaled \$491,744. The Economic Development Fund was originally funded with a \$600,000 deposit. The purpose of this fund is to provide funding to improve infrastructure and build line extensions for new loads. Because the funds collected were a result of over billings to customers in prior years, the Municipal Electric Division is accruing interest on the amounts not refunded at 3.25% per annum.

Included in the rate structure placed in service as of November 1, 2005, was an allowance to fund post-retirement benefits earned. Subsequent to enactment of the rate, the regulator determined that this allowance was excessive. As a result, the amount collected for these benefits in excess of the amounts actually expended for the benefits has been deferred until such time as the regulator determines their disposition. Interest has been added to these funds at the average investment return earned by the Board of Public Utilities during the year.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

5. Municipal Electric System Disclosures (Cont'd)

Net Assets Restricted for Plant Dismantling

As of December 31, 2011 net assets restricted for plant dismantling totaled \$5,258,570. Net assets restricted for plant dismantling was established pursuant to the Board of Public Utilities 2004 rate plan to set aside up to \$12,500,000 to fund the anticipated future costs associated with dismantling the existing coal plant. Pursuant to that rate plan, off-system sales profits of \$1,225,000 were reflected in the rates. Any amounts exceeding that level are to be restricted for plant dismantling. The restricted net assets must be placed in a separate bank account. The Board of Public Utilities may withdraw such funds for legitimate plant dismantling expenditures.

Net Assets Restricted for Energy Conservation

As of December 31, 2011 net assets restricted for energy conservation totaled \$33,985. The program provides the Board of Public Utilities community with information needed to understand why they should change their energy usage habits and educate them on becoming more energy responsible.

CITY OF JAMESTOWN, NEW YORK

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
Real property taxes	\$14,048,004	\$14,048,004	\$14,046,131	\$ (1,873)
Real property tax items	203,500	203,500	217,631	14,131
Non-property tax items	6,045,000	6,045,000	6,398,104	353,104
Departmental income	788,500	800,445	725,228	(75,217)
Intergovernmental charges	158,200	158,200	163,308	5,108
Use of money and property	65,000	65,000	37,338	(27,662)
Licenses and permits	220,100	220,100	198,994	(21,106)
Fines and forfeitures	145,000	145,000	135,268	(9,732)
Other unclassified revenue	31,000	31,000	19,393	(11,607)
Board of Public Utilities (PILOT)	3,620,000	3,620,000	3,592,806	(27,194)
Refund of prior year expenditures	75,000	75,000	90,709	15,709
State aid	<u>6,115,376</u>	<u>6,115,613</u>	<u>5,913,429</u>	<u>(202,184)</u>
Total revenues	<u>31,514,680</u>	<u>31,526,862</u>	<u>31,538,339</u>	<u>11,477</u>
Expenditures:				
General government support	\$ 3,685,499	\$ 3,798,148	\$ 3,742,793	\$ 55,355
Public safety	10,666,677	10,607,296	10,573,079	34,217
Streets	3,487,327	3,457,807	3,517,458	(59,651)
Culture and recreation	1,934,631	2,185,099	2,167,897	17,202
Home and community services	788,000	831,000	829,847	1,153
Capital outlays	775,000	775,237	775,237	-
Employee benefits	8,569,000	8,262,579	8,253,097	9,482
Debt service-principal	1,214,686	1,214,686	1,214,686	-
Debt service-interest	<u>820,860</u>	<u>822,010</u>	<u>822,005</u>	<u>5</u>
Total expenditures	<u>31,941,680</u>	<u>31,953,862</u>	<u>31,896,099</u>	<u>57,763</u>
Excess (deficiency) of revenues over expenditures	<u>(427,000)</u>	<u>(427,000)</u>	<u>(357,760)</u>	<u>69,240</u>
Other Sources:				
Transfers in from other funds	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total other sources	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(420,000)</u>	<u>(420,000)</u>	<u>(350,760)</u>	<u>69,240</u>
Fund balance, beginning of year	<u>3,439,116</u>	<u>3,439,116</u>	<u>3,439,116</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,019,116</u>	<u>\$ 3,019,116</u>	<u>\$ 3,088,356</u>	<u>\$ 69,240</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FUNDING PROGRESS FOR OPEB OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Schedule of Funding Progress

The schedule of funding progress for OPEB obligations as of the actuarial valuation date follows:

	As of 12/31/11	As of 12/31/10	
	Governmental	Business type	
	Activities	Activities	Total
1. Actuarial Accrued Liability (AAL)	\$ 83,976,376	\$ 5,465,137	\$ 89,441,513
2. Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 83,976,376	\$ 5,465,137	\$ 89,441,513
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$ 16,031,148	\$ 7,448,136	\$ 23,479,284
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>523.83%</u>	<u>.73%</u>	<u>380.94%</u>

Schedule of Employer Contributions

December 31, 2011	\$ 2,635,527	\$ 295,339
December 31, 2010	\$ 2,467,068	\$ 325,894
December 31, 2009	\$ 2,492,687	\$ Not Calculated
December 31, 2008	\$ 2,460,938	\$ 473,687

For Business-type activities, the Actuarial Accrued Liability is calculated every other year pursuant to the provisions of GASB Statement No. 45.

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 16,812	\$ 3,630,409	\$ 95,200	\$ 3,742,421
Due from other funds	168,544	-	-	168,544
Account receivable-other governments	365,663	349,571	-	715,234
Loans receivable, net of allowance of \$803,524 for loan loss	-	1,333,807	-	1,333,807
Real property held for sale	<u>-</u>	<u>18,643</u>	<u>-</u>	<u>18,643</u>
 Total assets	 <u>\$ 551,019</u>	 <u>\$ 5,332,430</u>	 <u>\$ 95,200</u>	 <u>\$ 5,978,649</u>
<u>Liabilities and Fund Balance</u>				
Account payable and accrued expenses	\$ -	\$ 29,706	\$ -	\$ 29,706
Amounts held in escrow and other	-	911	-	911
Deferred revenue	<u>551,019</u>	<u>234,856</u>	<u>-</u>	<u>785,875</u>
Total liabilities	<u>551,019</u>	<u>265,473</u>	<u>-</u>	<u>816,492</u>
<u>Fund Balance:</u>				
Reserved for:				
Economic development	-	5,066,957	-	5,066,957
Risk retention	<u>-</u>	<u>-</u>	<u>95,200</u>	<u>95,200</u>
Total fund balance	<u>-</u>	<u>5,066,957</u>	<u>95,200</u>	<u>5,162,157</u>
 Total liabilities and fund balance	 <u>\$ 551,019</u>	 <u>\$ 5,332,430</u>	 <u>\$ 95,200</u>	 <u>\$ 5,978,649</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2011**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Revenues:				
Departmental income	\$ -	\$ 420,478	\$ -	\$ 420,478
Use of money and property	-	76,159	292	76,451
Local sources and other revenue	186,463	1,650	-	188,113
Grants and contributions	-	100,056	-	100,056
Interfund revenues	30,078	361,000	-	391,078
State aid	1,326,858	407,807	-	1,734,665
Bad debt recovery	-	9,337	-	9,337
Federal program income	-	5,227	-	5,227
Federal aid	<u>1,121,975</u>	<u>2,355,687</u>	<u>-</u>	<u>3,477,662</u>
Total revenues	<u>2,665,374</u>	<u>3,737,401</u>	<u>292</u>	<u>6,403,067</u>
Expenditures:				
General government support	-	950,585	-	950,585
Public safety	228,461	-	-	228,461
Home and community	20,712	1,717,966	-	1,738,678
Capital outlays	545,213	637,721	-	1,182,934
Economic development	<u>1,870,988</u>	<u>424,838</u>	<u>-</u>	<u>2,295,826</u>
Total expenditures	<u>2,665,374</u>	<u>3,731,110</u>	<u>-</u>	<u>6,396,484</u>
Excess of revenues over expenditures	-	6,291	292	6,583
Fund balance, beginning of year	<u>-</u>	<u>5,060,666</u>	<u>94,908</u>	<u>5,155,574</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,066,957</u>	<u>\$ 95,200</u>	<u>\$ 5,162,157</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Community Development Block Grant	14.218	\$ 1,561,553
Home Investment Partnership Program (HOME)	14.239	574,616
Homeless Prevention and Rapid Re-Housing Program	14.257	<u>219,518</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 2,355,687</u>
<u>U.S. Department of Justice</u>		
Direct Programs:		
Edward Byrne Justice Assistance Grant	16.738	<u>\$ 8,439</u>
Total U.S. Department of Justice		<u>\$ 8,439</u>
<u>Department of Homeland Security</u>		
Direct Program:		
Assistance to Firefighters Grant	97.044	<u>\$ 37,545</u>
Total Federal Emergency Management Agency		<u>\$ 37,545</u>
<u>Federal Department of Transportation</u>		
Direct Programs:		
Highway Planning and Construction	20.205	<u>\$ 1,075,991</u>
Total Federal Department of Transportation		<u>\$ 1,075,991</u>
Total Federal Expenditures		<u>\$ 3,477,662</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jamestown, New York under the programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City of Jamestown, New York, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jamestown, New York.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Subrecipient

Of the federal expenditures presented in the schedule, the City of Jamestown, New York provided federal awards to subrecipients as follows: CFDA No. 20.205; Program Name: Highway Planning and Construction; Amount provided to Subrecipient \$1,075,991.

CITY OF JAMESTOWN, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

Yes No

Significant deficiency identified not considered to be a material weakness?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major programs:

Material weakness identified?

Yes No

Significant deficiency identified not considered to be a material weakness?

Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

Identification of major program:

CFDA Number

14.218
14.239
20.205

Name of Federal Program

Community Development Block Grant
Home Investment Partnership Program (HOME)
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs?

\$300,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF JAMESTOWN, NEW YORK

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011**

There were no audit findings noted for the year ended December 31, 2010.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the City Council
City of Jamestown, New York

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York, as of and for the year ended December 31, 2011, which collectively comprise the City of Jamestown, New York's basic financial statements and have issued my report thereon dated August 3, 2012. I conducted the 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.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the City of Jamestown, New York's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jamestown, New York's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Jamestown, New York's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

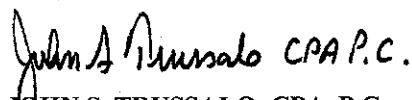
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jamestown, New York's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Jamestown, New York, in a separate letter dated August 3, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
August 3, 2012

**Report on Compliance With Requirements That Could Have a Direct and Material
Effect On Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To the City Council
City of Jamestown, New York

Compliance

I have audited the City of Jamestown, New York's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Jamestown, New York's major federal programs for the year ended December 31, 2011. City of Jamestown, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jamestown, New York's management. My responsibility is to express an opinion on the City of Jamestown, New York's compliance based on my audit.

I conducted the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Jamestown, New York's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Jamestown, New York's compliance with those requirements.

In my opinion, City of Jamestown, New York, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.


Internal Control Over Compliance

Management of City of Jamestown, New York, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Jamestown, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Jamestown, New York's internal control over compliance.

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 a federal 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 a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
August 3, 2012