

Financial Statements

CITY OF JAMESTOWN, NEW YORK

YEAR ENDED DECEMBER 31, 2012

CITY OF JAMESTOWN, NEW YORK
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
<u>Basic Financial Statements:</u>	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position-Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-Governmental Funds	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	22
Notes to Financial Statements	23-45
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule - General Fund	46
Schedule of Funding Progress for OPEB Obligations	47
<u>Other Supplementary Information:</u>	
Combining Balance Sheet - Special Revenue Funds	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Special Revenue Funds	49
<u>Federal Financial Awards:</u>	
Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51
Summary Schedule of Prior Audit Findings	52
Independent Auditor's 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	53
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	54-55

JOHN S. TRUSSALO

— Certified Public Accountant, P.C. —

315 NORTH MAIN STREET • SUITE 200
JAMESTOWN, NEW YORK 14701
(716) 487-2910 FAX (716) 487-1875

Independent Auditor's Report

To the City Council
City of Jamestown, New York

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 represent 100% of the assets, liabilities, net position, revenues and expenses of the City's Business-type activities. Those statements were audited by other auditors whose reports thereon have been 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my audit and the reports 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, 2012, 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.

Independent Auditor's Report
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 11), budgetary comparison information (page 46), and the schedule of funding progress for OPEB obligations (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 I 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.


Other Information

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. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 basic 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 4, 2013, 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* in considering the City of Jamestown, New York's internal control over financial reporting and compliance.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 4, 2013

CITY OF JAMESTOWN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net position of the City's governmental activities included in the Government-wide financial statements totaled \$17,256,187 at December 31, 2012 compared to \$18,794,765 at December 31, 2011, a decrease of \$1,538,578 (8%). Revenues from governmental activities totaled \$36,216,237 for 2012 compared to \$37,618,192 for 2011. Expenditures for governmental activities totaled \$37,754,815 for 2012 compared to \$38,279,814 for 2011.
- The fund balance of the City's General Fund included in the Fund financial statements decreased \$268,044 (8%) to \$2,820,312 as of December 31, 2012 compared to a fund balance of \$3,088,356 as of December 31, 2011.

THE FINANCIAL STATEMENTS

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 Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and changes in net position. Net position is the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is 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.

Management's Discussion and Analysis

Page 2

In the Statement of Net Position and the Statement of Activities, 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 Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. 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 Position and Changes in Fiduciary Net Position. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City of Jamestown, New York, as a whole, totaled \$135,151,525 as of December 31, 2012 and \$135,336,728 as of December 31, 2011, a decrease of \$185,203. 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.

The City's combined Net Position for the years ended December 31, 2012 and 2011 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other assets	\$13,751,242	\$14,682,078	\$ 38,846,639	\$ 34,376,058	\$ 52,597,881	\$ 49,735,613
Capital assets	39,584,794	38,350,722	117,285,255	123,404,413	156,870,049	161,755,135
Total assets	<u>53,336,036</u>	<u>53,032,800</u>	<u>156,131,894</u>	<u>157,780,471</u>	<u>209,467,930</u>	<u>211,490,748</u>
Deferred Outflows of Resources	<u>668,758</u>	<u>677,477</u>	<u>-</u>	<u>-</u>	<u>668,758</u>	<u>677,477</u>
Liabilities:						
Long-term debt	20,225,805	22,073,766	23,240,000	26,468,000	43,465,805	48,541,766
Net OPEB obligation	12,728,171	9,825,936	9,475,174	9,213,511	22,203,345	19,039,447
Other liabilities	3,788,078	3,008,376	5,521,382	5,556,997	9,309,460	8,572,807
Total liabilities	<u>36,742,054</u>	<u>34,908,078</u>	<u>38,236,556</u>	<u>41,238,508</u>	<u>74,978,610</u>	<u>76,154,020</u>
Deferred Inflows of Resources	<u>6,553</u>	<u>7,434</u>	<u>-</u>	<u>-</u>	<u>6,553</u>	<u>7,434</u>
Net Position:						
Investment in capital assets, net of related debt	21,617,902	18,962,407	93,464,293	96,717,916	115,082,195	115,680,323
Restricted	8,342,781	9,785,217	5,432,935	5,292,555	13,775,716	15,077,772
Unrestricted	(12,704,496)	(9,952,859)	18,998,110	14,531,492	6,293,614	4,578,633
Total net position	<u>\$17,256,187</u>	<u>\$18,794,765</u>	<u>\$117,895,338</u>	<u>116,541,963</u>	<u>135,151,525</u>	<u>135,336,728</u>

Net Position Analysis - Overall

Net position totaled \$135,151,525 as of December 31, 2012 of which \$115,082,195 (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 Position Analysis - Governmental Activities

The City's net position from governmental activities decreased \$1,538,578 (8%) to \$17,256,187. Investment in capital assets, net of related debt increased \$2,655,495 (14%) to \$21,617,902. Restricted net position decreased \$1,442,436 (14%) to \$8,342,781. Unrestricted net position decreased \$2,751,637 (27%) to a deficit of \$12,704,496.

Net Position Analysis - Business-type Activities

The City's net position from business-type activities increased \$1,353,375 (1%) to \$117,895,338. Investment in capital assets, net of related debt decreased \$3,253,623 (3%) to \$93,464,293. Restricted net position increased \$140,380 (2%) to \$5,432,935. Unrestricted net position increased \$4,466,618 (30%) to \$18,998,110.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Analysis of Changes in Net Position

The change in the City's net position for governmental activities and business-type activities for the years ended December 31, 2012 and 2011 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,684,664	\$ 1,797,947	\$ 56,154,141	\$ 53,286,841	\$ 57,838,805	\$ 55,084,788
Operating grant/contributions	3,378,960	4,873,855	-	-	3,378,960	4,873,855
Capital grants/contributions	946,457	1,607,945	-	-	946,457	1,607,945
General revenues:						
Real property taxes	14,315,961	14,046,131	-	-	14,315,961	14,046,131
Sales tax	5,786,963	5,694,930	-	-	5,786,963	5,694,930
Board of Public Utilities (PILOT)	3,584,225	3,592,806	-	-	3,584,225	3,592,806
Investment earnings	129,023	126,510	65,224	79,505	194,247	206,015
State Aid	4,974,714	4,943,491	-	-	4,974,714	4,943,491
Other	1,415,270	934,577	87,257	16,290	1,502,527	950,867
Total revenues	<u>36,216,237</u>	<u>37,618,192</u>	<u>56,306,622</u>	<u>53,382,636</u>	<u>92,522,859</u>	<u>91,000,828</u>
Expenses:						
General government support	5,304,435	5,333,103	-	-	5,304,435	5,333,103
Public safety	10,753,713	11,036,956	-	-	10,753,713	11,036,956
Public improvements/projects	386,040	724,833	-	-	386,040	724,833
Streets	3,229,729	3,325,100	-	-	3,229,729	3,325,100
Culture and recreation	1,981,237	2,193,709	-	-	1,981,237	2,193,709
Home and community/development	3,770,112	4,770,541	-	-	3,770,112	4,770,541
Employee benefits	11,386,950	10,039,407	-	-	11,386,950	10,039,407
Debt service	942,599	856,165	1,120,351	1,251,040	2,062,950	2,107,205
Utility operations	-	-	53,832,896	46,757,721	53,832,896	46,757,721
Total expenses	<u>37,754,815</u>	<u>38,279,814</u>	<u>54,953,247</u>	<u>48,008,761</u>	<u>92,708,062</u>	<u>86,288,575</u>
Change in net position	(1,538,578)	(661,622)	1,353,375	5,373,875	(185,203)	4,712,253
Net position, beginning 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>
Net position, end of year	<u>\$17,256,187</u>	<u>\$18,794,765</u>	<u>\$117,895,338</u>	<u>\$116,541,963</u>	<u>\$135,151,525</u>	<u>\$135,336,728</u>

Governmental Activities

Revenues from the City's governmental activities totaled \$36,216,237 for 2012 compared to \$37,618,192 for 2011. Revenues for 2012 were comprised of the following: Property tax revenue (40%), Operating and Capital Grants and Contributions (12%), Sales tax revenue (16%), State aid revenue (14%), Board of Public Utilities payments in lieu of tax revenue (10%), Charges for services (5%), Other revenue (3%).

Expenditures of governmental activities totaled \$37,754,815 for 2012 compared to \$38,279,814 for 2011. 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 Position, the amounts paid by users totaled \$56,154,141 for 2012 and \$53,286,841 for 2011. Investment earnings totaled \$65,224 for 2012 and \$79,505 for 2011. Other revenue totaled \$87,257 for 2012 and \$16,290 for 2011. The cost of all Proprietary (Business-type) activities totaled \$54,953,247 for 2012 and \$48,008,761 for 2011.

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$20,225,805 as of December 31, 2012 and \$22,073,766 as of December 31, 2011; a net decrease of \$1,847,961. As of December 31, 2012, long-term liabilities were comprised of the following: General Obligation Bonds \$9,150,000; Notes payable to Board of Public Utilities \$790,634; Note payable to New York Power Authority (via Board of Public Utilities) \$1,160,424; Equipment notes payable \$390,834; Notes payable to NYS Police and Fire Retirement System \$290,338; Obligations under capital lease \$6,475,000; Compensated absences \$1,968,575.

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 \$314,640 to \$1,968,575 as of December 31, 2012.
- As of December 31, 2012, the City maintained a \$6,475,000 capital lease obligation for the Cherry Street and Second Street parking ramps.
- During 2012, the City's Governmental activities 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.

Liability for OPEB Obligations

- The liability for OPEB obligations included in the government-wide statement of net position increased \$2,902,235 to \$12,728,171 as of December 31, 2012.

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$23,240,000 as of December 31, 2012 and \$26,468,000 as of December 31, 2011; a decrease of \$3,228,000.

- During 2012, 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, 2012 the City's general obligation debt, including statutory exclusions, was at 20.86% of the legal limit compared to 21.65% of the legal limit at December 31, 2011.

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, 2012, the City’s governmental-activities maintained \$39,584,794 in capital assets (Cost \$71,656,338 less accumulated depreciation of \$32,071,544) compared to \$38,350,722 as of December 31, 2011. Capital additions for 2012 totaled \$3,622,669 and were for the following: infrastructure (including roads, sidewalks, and storm sewers) \$1,663,629; buildings and structures \$673,731; equipment \$839,581; vehicles \$219,203; construction in progress \$226,525.

Depreciation expense totaled \$2,368,417 for the year ended December 31, 2012 and \$2,377,529 for the year ended December 31, 2011.

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

Business-type Activities

As of December 31, 2012, the City’s business-type activities maintained \$117,285,255 in capital assets (Cost \$239,187,471 less accumulated depreciation of \$121,902,216) compared to \$123,404,413 as of December 31, 2011. Capital deletions, net of additions for 2012 totaled \$650,138 and were for the following: Electric Division \$(3,393,368); Waste Water Division \$857,995; Water Division \$1,277,399; Solid Waste Division \$177,425; District Heat Division \$430,411.

Depreciation expense totaled \$6,934,693 for the year ended December 31, 2012 and \$6,735,226 for the year ended December 31, 2011.

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 \$9,701,282 as of December 31, 2012 and \$11,483,813 as of December 31, 2011; a decrease of \$1,782,531. The schedule below indicates the fund balances as of December 31, 2012 and 2011, and the net increase/decrease for the year.

	Fund Balance	Fund Balance	Increase
	2012	2011	(Decrease)
General fund	\$ 2,820,312	\$ 3,088,356	\$ (268,044)
Capital fund	1,872,559	3,233,300	(1,360,741)
Special revenue fund	5,008,411	5,162,157	(153,746)
Total	<u>\$ 9,701,282</u>	<u>\$11,483,813</u>	<u>\$(1,782,531)</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, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
<i>Revenues and Other Sources:</i>			
Real property taxes	\$14,315,961	\$14,046,131	\$ 269,830
Real property tax items	265,539	217,631	47,908
Non-property tax items	6,316,703	6,398,104	(81,401)
Departmental income	722,823	725,228	(2,405)
Intergovernmental charges	185,009	163,308	21,701
State aid	6,071,241	5,913,429	157,812
Board of Public Utilities (PILOT)	3,584,225	3,592,806	(8,581)
Use of money and property	39,411	37,338	2,073
Other revenue	741,162	444,364	296,798
Interfund transfers in	4,000	7,000	(3,000)
Total revenues	<u>32,246,074</u>	<u>31,545,339</u>	<u>700,735</u>
<i>Expenditures:</i>			
General government support	3,906,189	3,742,793	163,396
Public safety	10,285,808	10,573,079	(287,271)
Streets	3,461,523	3,517,458	(55,935)
Culture and recreation	1,984,046	2,167,897	(183,851)
Home and community services	865,979	829,847	36,132
Capital outlays	744,017	775,237	(31,220)
Employee benefits	8,931,365	8,253,097	678,268
Debt service - principal	1,421,423	1,214,686	206,737
Debt service - interest	913,768	822,005	91,763
	<u>32,514,118</u>	<u>31,896,099</u>	<u>618,019</u>
Deficiency for the year	(268,044)	(350,760)	<u>82,716</u>
Fund balance, beginning of year	<u>3,088,356</u>	<u>3,439,116</u>	
Fund balance, end of year	<u>\$ 2,820,312</u>	<u>\$ 3,088,356</u>	

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 2012, the City appropriated \$715,000 of its 2011 fund balance. During 2012, actual general fund revenues and other sources totaled \$32,246,074 compared to a final revenue budget of \$32,484,237, an unfavorable variance of \$238,163. During 2012, actual general fund expenditures totaled \$32,514,118 compared to a final expenditure budget of \$33,199,237, a favorable variance of \$685,119. As a result, the City's fund balance as of December 31, 2012 was \$446,956 higher than budgeted. The 2012 General Fund final expenditure budget totaled \$33,199,237 compared to a 2011 final expenditure budget of \$31,953,862. The 2012 final expenditure budget included a net supplementary increase of \$140,472 from the original approved budget. The net supplementary increase is detailed in Note 9 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, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
<i>Revenues and Other Sources:</i>			
Proceeds from issuance of debt	\$ -	\$ 4,000,000	\$(4,000,000)
General fund appropriations	744,017	775,237	(31,220)
Sale of property	206,821	58,255	148,566
Use of money and property	6,066	12,387	(6,321)
Other revenue	19,104	24,898	(5,794)
Total revenues	<u>976,008</u>	<u>4,870,777</u>	<u>(3,894,769)</u>
<i>Expenditures and Other Uses:</i>			
Capital outlay	2,332,749	2,206,908	125,841
Interfund transfer to General Fund	4,000	7,000	(3,000)
	<u>2,336,749</u>	<u>2,213,908</u>	<u>122,841</u>
Excess (Deficiency) for the year	(1,360,741)	2,656,869	<u>(4,017,610)</u>
Fund balance, beginning of year	<u>3,233,300</u>	<u>576,431</u>	
Fund balance, end of year	<u>\$ 1,872,559</u>	<u>\$ 3,233,300</u>	

The Capital Projects Fund included capital outlay expenditures of \$2,332,749 for the year ended December 31, 2012 and \$2,206,908 for the year ended December 31, 2011. Capital outlay expenditures were comprised of the following:

	<u>2012</u>	<u>2011</u>
Street resurfacing, construction, curb, gutter, sidewalks	\$ 643,018	\$ 641,887
Equipment and vehicles	822,848	1,028,200
Storm Sewers and Sidewalks	100,000	100,000
Building improvements	673,731	316,968
Land improvements	8,637	25,101
Other expenditures not capitalized	84,515	94,752
	<u>\$ 2,332,749</u>	<u>\$ 2,206,908</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, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
<i>Revenues and Other Sources:</i>			
Departmental income	\$ 429,615	\$ 420,478	\$ 9,137
Use of money and property	83,157	76,451	6,706
Interfund revenues	363,500	391,078	(27,578)
Federal aid	1,995,695	3,477,662	(1,481,967)
State aid	663,548	1,734,665	(1,071,117)
Other revenue	497,283	302,733	194,550
Total revenues	<u>4,032,798</u>	<u>6,403,067</u>	<u>(2,370,269)</u>

Special Revenue Fund (Cont'd)

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
<i>Expenditures and Other Uses:</i>			
General government support	\$ 903,914	\$ 950,585	\$ (46,671)
Public safety	244,781	228,461	16,320
Home and community services and economic development	2,623,160	4,672,224	(2,049,064)
Capital outlays	<u>414,689</u>	<u>545,214</u>	<u>(130,525)</u>
	<u>4,186,544</u>	<u>6,396,484</u>	<u>(2,209,940)</u>
Excess (Deficiency) for the year	(153,746)	6,583	<u>(160,329)</u>
Fund balance, beginning of year	<u>5,162,157</u>	<u>5,155,574</u>	
Fund balance, end of year	<u>\$ 5,008,411</u>	<u>\$ 5,162,157</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, 2012, the net OPEB obligation which is unfunded totaled \$12,728,171 for governmental activities and \$9,475,174 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, 2012 the City contributed 18.3% of eligible wages to the NYS and Local Employees Retirement System and 24.6% of eligible wages to the NYS and Local Police and Fire Retirement System. The New York State Comptroller has projected future contribution rates for 2013 as follows: NYS and Local Employees Retirement System 20.0% and NYS and Local Police and Fire Retirement System 27.8%.

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 2012, the City was at 92.20% of its Constitutional Tax Limit, compared to 91.93% for 2011, and 89.44% for 2010. 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 POSITION
DECEMBER 31, 2012

	PRIMARY GOVERNMENT		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,274,334	\$ 20,588,132	\$ 28,862,466
Restricted cash	-	6,336,399	6,336,399
Total cash and cash equivalents	<u>8,274,334</u>	<u>26,924,531</u>	<u>35,198,865</u>
Receivables:			
State, federal, and local governments	1,828,590	-	1,828,590
School taxes	1,188,021	-	1,188,021
Accounts and other, net of allowance	171,527	5,832,927	6,004,454
Loans, net of allowance	1,464,212	790,634	2,254,846
Prepaid contribution - City of Jamestown's General Fund	-	420,000	420,000
Prepaid expenses and deposits	750,665	13,796	764,461
Property acquired for taxes and held for sale	24,109	-	24,109
Inventories	49,784	1,651,892	1,701,676
Other current and accrued assets	-	1,015,279	1,015,279
Charges for future benefits	-	1,727,014	1,727,014
Cash collateral - derivative	-	251,794	251,794
Non-utility property	-	218,772	218,772
Capital assets:			
Land and construction in progress	1,434,280	2,427,220	3,861,500
Other capital assets, net of depreciation	<u>38,150,514</u>	<u>114,858,035</u>	<u>153,008,549</u>
Total assets	<u>53,336,036</u>	<u>156,131,894</u>	<u>209,467,930</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deposit held in escrow - parking ramps	603,885	-	603,885
Bond issuance costs, net	64,873	-	64,873
Total deferred outflows of resources	<u>668,758</u>	<u>-</u>	<u>668,758</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,549,172	4,330,608	5,879,780
Due to other governments	1,818,906	-	1,818,906
Consumer deposits	-	698,045	698,045
Deferred revenue	420,000	-	420,000
<i>Non current liabilities:</i>			
Due within one year	1,783,912	2,905,000	4,688,912
Due in more than one year	18,441,893	20,335,000	38,776,893
<i>Other noncurrent liabilities:</i>			
Net OPEB obligation	12,728,171	9,475,174	22,203,345
Economic development	-	492,729	492,729
Total liabilities	<u>36,742,054</u>	<u>38,236,556</u>	<u>74,978,610</u>
DEFERRED INFLOWS OF RESOURCES			
Bond premium, net	6,553	-	6,553
Total deferred inflows of resources	<u>6,553</u>	<u>-</u>	<u>6,553</u>
NET POSITION			
Net investment in capital assets	21,617,902	93,464,293	115,082,195
<i>Restricted for:</i>			
Capital lease deposit	603,885	-	603,885
Economic development	5,770,932	-	5,770,932
Capital expenditures	1,872,559	-	1,872,559
Risk retention	95,405	-	95,405
Plant dismantling	-	5,458,544	5,458,544
Energy conservation	-	(25,609)	(25,609)
Unrestricted	<u>(12,704,496)</u>	<u>18,998,110</u>	<u>6,293,614</u>
Total net position	<u>\$ 17,256,187</u>	<u>\$117,895,338</u>	<u>\$135,151,525</u>

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

**CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	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	\$ 5,304,435	\$ 702,166	\$ 128,520	\$ -	\$ (4,473,749)	\$ -	\$ (4,473,749)
Public safety	10,753,713	505,530	368,912	-	(9,879,271)	-	(9,879,271)
Public improvements and projects	386,040	-	-	-	(386,040)	-	(386,040)
Streets	3,229,729	47,353	-	946,457	(2,235,919)	-	(2,235,919)
Culture and recreation	1,981,237	-	-	-	(1,981,237)	-	(1,981,237)
Home and community service/development	3,770,112	429,615	2,881,528	-	(458,969)	-	(458,969)
Employee benefits	11,386,950	-	-	-	(11,386,950)	-	(11,386,950)
Debt service	942,599	-	-	-	(942,599)	-	(942,599)
Total Governmental activities	<u>37,754,815</u>	<u>1,684,664</u>	<u>3,378,960</u>	<u>946,457</u>	<u>(31,744,734)</u>	<u>-</u>	<u>(31,744,734)</u>
Business-type activities:							
Board of Public Utilities	54,953,247	56,154,141	-	-	-	1,200,894	1,200,894
Total Business-type activities	<u>54,953,247</u>	<u>56,154,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,894</u>	<u>1,200,894</u>
Total Primary Government	<u>\$ 92,708,062</u>	<u>\$ 57,838,805</u>	<u>\$ 3,378,960</u>	<u>\$ 946,457</u>	<u>(31,744,734)</u>	<u>1,200,894</u>	<u>(30,543,840)</u>
General Revenues:							
Property taxes for general purposes					\$ 14,315,961	\$ -	\$ 14,315,961
Sales taxes for general purposes					5,786,963	-	5,786,963
State aid not restricted to specific purpose					4,974,714	-	4,974,714
Board of Public Utilities (PILOT)					3,584,225	-	3,584,225
Franchise fees and Utilities gross receipts					488,334	-	488,334
Refund of prior year expenditures					418,970	-	418,970
Other tax items					265,539	-	265,539
Other unclassified revenue					242,427	-	242,427
Investment earnings					129,023	65,224	194,247
Gain on disposal of fixed assets					-	87,257	87,257
Total general revenues					<u>30,206,156</u>	<u>152,481</u>	<u>30,358,637</u>
Change in net position					(1,538,578)	1,353,375	(185,203)
Net position, beginning of year					18,794,765	116,541,963	135,336,728
Net position, end of year					<u>\$ 17,256,187</u>	<u>\$ 117,895,338</u>	<u>\$ 135,151,525</u>

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

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,854,127	\$ 1,798,072	\$ 3,622,135	\$ 8,274,334
Receivables:				
State, Federal, and Local Governments	1,690,467	-	138,123	1,828,590
School taxes	1,188,021	-	-	1,188,021
Other	159,068	-	12,459	171,527
Loans, net of allowance of \$798,691 for loan loss	-	-	1,464,212	1,464,212
Prepaid expenses	750,665	-	-	750,665
Property acquired for taxes and held for sale	5,466	-	18,643	24,109
Due from other funds	-	177,219	660,982	838,201
Inventories	49,784	-	-	49,784
Total assets	<u>6,697,598</u>	<u>1,975,291</u>	<u>5,916,554</u>	<u>14,589,443</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deposit held in escrow - parking ramps	603,885	-	-	603,885
Total deferred outflows of resources	<u>603,885</u>	<u>-</u>	<u>-</u>	<u>603,885</u>
LIABILITIES				
Payables:				
Accounts	393,072	62,415	49,301	504,788
School district	1,818,906	-	-	1,818,906
Other	179,138	40,317	916	220,371
Accrued liabilities	824,013	-	-	824,013
Due to other funds	838,201	-	-	838,201
Deferred revenue:				
Contribution from City's Board of Public Utilities	420,000	-	-	420,000
Restricted grants	-	-	714,338	714,338
Property taxes	5,466	-	-	5,466
Other	2,375	-	143,588	145,963
Total liabilities	<u>4,481,171</u>	<u>102,732</u>	<u>908,143</u>	<u>5,492,046</u>
FUND BALANCES				
Non spendable	1,409,800	-	-	1,409,800
Restricted:				
Capital expenditures	-	1,872,559	-	1,872,559
Economic development	-	-	4,913,006	4,913,006
Risk retention	-	-	95,405	95,405
Assigned	390,000	-	-	390,000
Unassigned	1,020,512	-	-	1,020,512
Total fund balances	<u>\$ 2,820,312</u>	<u>\$ 1,872,559</u>	<u>\$ 5,008,411</u>	<u>\$ 9,701,282</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 Position

YEAR ENDED DECEMBER 31, 2012

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

Total fund balance - governmental funds	\$ 9,701,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$71,656,338 and the accumulated depreciation is \$32,071,544.	39,584,794
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 \$174,290.	64,873
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.	(20,225,805)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.	(12,728,171)
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 \$17,610.	(6,553)
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.	860,301
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>5,466</u>
Total net position - governmental activities	<u>\$17,256,187</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, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$14,315,961	-	-	\$14,315,961
Real property tax items	265,539	-	-	265,539
Non-property tax items	6,316,703	-	-	6,316,703
Departmental income	722,823	-	429,615	1,152,438
Intergovernmental charges	185,009	-	-	185,009
Use of money and property	39,411	6,066	83,157	128,634
Licenses and permits	203,849	-	-	203,849
Fines and forfeitures	113,897	-	-	113,897
Sale of property/compensation for loss	-	206,821	-	206,821
Other unclassified revenue	4,446	19,104	497,283	520,833
Board of Public Utilities (PILOT)	3,584,225	-	-	3,584,225
Refund of prior year expenditures	418,970	-	-	418,970
State aid	6,071,241	744,017	663,548	6,734,789
Interfund revenues	-	-	363,500	1,107,517
Federal aid	-	-	1,995,695	1,995,695
Total revenues	<u>32,242,074</u>	<u>976,008</u>	<u>4,032,798</u>	<u>37,250,880</u>
Expenditures:				
General government support	3,906,189	-	903,914	4,810,103
Public safety	10,285,808	-	244,781	10,530,589
Streets	3,461,523	-	-	3,461,523
Culture and recreation	1,984,046	-	-	1,984,046
Home and community and economic development	865,979	-	2,623,160	3,489,139
Capital outlays	744,017	2,332,749	414,689	3,491,455
Employee benefits	8,931,365	-	-	8,931,365
Debt service - principal	1,421,423	-	-	1,421,423
Debt service - interest	913,768	-	-	913,768
Total expenditures	<u>32,514,118</u>	<u>2,332,749</u>	<u>4,186,544</u>	<u>39,033,411</u>
Excess (deficiency) revenues over expenditures	<u>(272,044)</u>	<u>(1,356,741)</u>	<u>(153,746)</u>	<u>(1,782,531)</u>
Other Sources (Uses):				
Interfund transfers	4,000	(4,000)	-	-
Total other sources	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(268,044)</u>	<u>(1,360,741)</u>	<u>(153,746)</u>	<u>(1,782,531)</u>
Fund balances, beginning of year	<u>3,088,356</u>	<u>3,233,300</u>	<u>5,162,157</u>	<u>11,483,813</u>
Fund balances, end of year	<u>\$ 2,820,312</u>	<u>\$ 1,872,559</u>	<u>\$ 5,008,411</u>	<u>\$ 9,701,282</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, 2012**

Net change in fund balances - total governmental funds \$ (1,782,531)

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 \$3,602,489 exceeded depreciation expense of \$2,368,417 in the current year. 1,234,072

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. (2,902,235)

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. 314,640

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:

Principal payments:

General obligation bonds	625,000	
Notes payable - Board of Public Utilities	71,959	
Note payable - NYPA	251,693	
Notes payable - equipment purchases	257,771	
Notes payable - NYS Police and Fire Retirement System	111,898	
Obligations under capital leases	215,000	1,533,321

Grants restricted for a specific purpose and other receipts designated for specific purposes are deferred in the governmental funds until the restriction is met. The government-wide financial statements recognize restricted grants and other receipts designated for specific purposes when received. 71,993

Change in net position of governmental activities **\$ (1,538,578)**

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

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

DECEMBER 31, 2012

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

ASSETS

Current assets:

Cash and cash equivalents	\$ 20,588,132
Restricted cash	6,336,399
Receivables:	
Accounts, net of allowance of \$172,995	5,599,054
Affiliates	233,873
Prepaid contribution - City of Jamestown, New York's General Fund	420,000
Inventories, at average cost	1,651,892
Other current and accrued assets	<u>1,015,279</u>
Total current assets	<u>35,844,629</u>

Other assets and investments:

Notes receivable from City of Jamestown, New York	790,634
Cash collateral - derivative	251,794
Non-utility property	218,772
Deposits and prepayments	<u>13,796</u>
Total other assets and investments	<u>1,274,996</u>

Property and equipment, less accumulated depreciation 117,285,255

Charges for future benefits 1,727,014

 Total Assets 156,131,894

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	4,330,608
Consumer deposits	698,045
Current maturities of long-term debt	<u>2,905,000</u>
Total current liabilities	<u>7,933,653</u>

Non-current liabilities:

Long term debt, less current maturities	20,335,000
Accumulated post employment benefit obligation	9,475,174
Economic development	<u>492,729</u>
Total noncurrent liabilities	<u>30,302,903</u>

 Total Liabilities 38,236,556

NET POSITION

Net investment in capital assets	93,464,293
Restricted for:	
Plant dismantling	5,458,544
Energy conservation	(25,609)
Unrestricted	<u>18,998,110</u>
Total net position	<u>\$117,895,338</u>

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 NET POSITION**

YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Operating Revenues	<u>\$ 56,154,141</u>
Operating Expenses:	
Operations	25,972,907
Administrative and general	7,773,564
Depreciation and amortization	6,734,874
Payments in lieu of taxes to primary government	3,584,225
Taxes	2,341,371
Consumer accounts	1,092,509
Repairs and maintenance	<u>668,153</u>
Total Operating Expenses	<u>48,167,603</u>
Operating Income	<u>7,986,538</u>
Non-operating Expense (Revenue):	
Interest expense	1,120,351
Interest income	(65,224)
Gain on disposal of fixed assets	<u>(87,257)</u>
Total Non-operating Expense, net	<u>967,870</u>
Change in net position before extraordinary item	7,018,668
Extraordinary Item	<u>(5,665,293)</u>
Change in net position	1,353,375
Net position, beginning of year	<u>116,541,963</u>
Net position, end of year	<u>\$117,895,338</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, 2012

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 56,130,670
Cash paid to suppliers and employees	(35,178,546)
Cash paid for taxes and payments in lieu of taxes	(5,926,452)
Cash paid for contribution to City of Jamestown, New York's General Fund	<u>(420,000)</u>
Net cash provided by operating activities	<u>14,605,672</u>
Cash Flows from Noncapital Financing Activities:	
Principal payments received on loans receivable from primary government	<u>71,958</u>
Net cash provided by noncapital financing activities	<u>71,958</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(6,486,126)
Interest paid on long-term debt	(1,052,776)
Principal payments on long-term debt	(3,228,000)
Proceeds from sale of capital assets	<u>87,257</u>
Net cash used in capital and related financing activities	<u>(10,679,645)</u>
Cash Flows from Investing Activities:	
Interest income	65,224
Change in cash collateral - derivative	(251,794)
Change in restricted cash	<u>223,431</u>
Net provided by investing activities	<u>36,861</u>
Net increase in cash and cash equivalents	4,034,846
Cash and cash equivalents, beginning of year	<u>16,553,286</u>
Cash and cash equivalents, end of year	<u>\$ 20,588,132</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income	\$ 7,986,538
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	6,734,874
Provision for losses on accounts receivable	(121,160)
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	(18,316)
Inventories	231,226
Prepaid contribution - City of Jamestown, New York's General Fund	(420,000)
Charges for future benefits	(62,639)
Other current and accrued assets	25,329
Accounts payable and accrued liabilities	6,857
Retainages payable	(8,000)
Accumulated post employment benefit obligation	261,663
Consumer deposits	(11,685)
Miscellaneous operating reserves	<u>985</u>
Net cash provided by operating activities	<u>\$ 14,605,672</u>

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

**CITY OF JAMESTOWN, NEW YORK
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION**

DECEMBER 31, 2012

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,797,348	\$ 36,177	\$ 1,833,525
Amount held in escrow by agent	15,000	-	15,000
Advances receivable	<u>19,362</u>	<u>-</u>	<u>19,362</u>
 Total assets	 <u>1,831,710</u>	 <u>36,177</u>	 <u>1,867,887</u>
Liabilities			
Amounts held in custody for others	<u>1,831,710</u>	<u>-</u>	<u>1,831,710</u>
Total liabilities	<u>1,831,710</u>	<u>-</u>	<u>1,831,710</u>
Net Position			
Net position held in trust	<u>-</u>	<u>36,177</u>	<u>36,177</u>
Total net position	<u>\$ -</u>	<u>\$ 36,177</u>	<u>\$ 36,177</u>

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

**CITY OF JAMESTOWN, NEW YORK
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED DECEMBER 31, 2012

	<u>Recreation Department Trust Funds</u>
Additions	
Miscellaneous revenues	\$ 22,139
Interest income	<u>83</u>
Total additions	<u>22,222</u>
Deductions	
Culture and recreation	<u>\$ 28,535</u>
Total deductions	<u>28,535</u>
Change in Net Position	(6,313)
Net position:	
Beginning of Year	<u>42,490</u>
End of Year	<u>\$ 36,177</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 position 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 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

The City utilizes the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 defines 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 Position

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 Position (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 Position (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 position. 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 September 4, 2013, 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' trust department in City's name.

Carrying amounts of deposits (including restricted cash)	\$ 37,032,390
Less Fiduciary Funds cash and equivalents	<u>(1,833,525)</u>
Total cash and equivalents - Government-wide Statement of Net Position	<u>\$ 35,198,865</u>
Governmental activities	\$ 8,274,334
Business-type activities	<u>26,924,531</u>
	<u>\$ 35,198,865</u>

The City's financial institution (bank) balances at December 31, 2012 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, 2012 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2007-2011)	<u>\$673,781,070</u>
<u>Constitutional Tax limit</u>	<u>\$ 13,475,621</u>
2% of Five-year Average Full Valuation of Taxable Real Estate	
<u>2012 Tax Levy less Statutory Exclusions</u>	<u>\$ 14,320,055</u>
Total tax levy for 2012	
<i>Statutory Exclusions from Constitutional Tax Limit:</i>	
Debt service for General Obligation Bonds	(1,087,409)
Budgetary appropriations for capital expenditures	(811,700)
Revenue designated for debt service	<u>4,000</u>
Total statutory exclusions	<u>(1,895,109)</u>
Tax levy subject to constitutional tax limit	<u>\$ 12,424,946</u>
Constitutional tax margin	<u>\$ 1,050,675</u>

Constitutional Tax Limit

For 2012, the City's tax levy (subject to the constitutional tax limit) totaled \$12,424,946 which was 92.20% of its constitutional tax limit of \$13,475,621.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONSTITUTIONAL TAX MARGIN AND LIMIT (Cont'd)

Property Tax Cap

On June 24, 2011, the property tax cap was signed into law (see Chapter 97 of the NYS Laws of 2011). The tax cap law establishes a limit on the annual growth of property taxes levied by local governments to two percent or the rate of inflation, whichever is less. There are limited, narrow exclusions to the tax cap, including significant judgements arising out of tort actions and unusually large year-to-year increases in pension contribution rates. The tax cap applied to fiscal years beginning in 2012. The City's property tax cap for 2012 was \$14,520,101.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 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
Construction in progress	-	<u>226,525</u>	-	<u>226,525</u>
<i>Total capital assets not being depreciated</i>	<u>1,207,755</u>	<u>226,525</u>	<u>-</u>	<u>1,434,280</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	26,514,632	1,663,629	-	28,178,261
Buildings and structures	24,371,706	673,731	-	25,045,437
Equipment	13,847,026	839,581	(4,800)	14,681,807
Vehicles	<u>2,162,248</u>	<u>219,203</u>	<u>(64,898)</u>	<u>2,316,553</u>
<i>Total capital assets being depreciated</i>	<u>66,895,612</u>	<u>3,396,144</u>	<u>(69,698)</u>	<u>70,222,058</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	9,013,450	897,717	-	9,911,167
Buildings and structures	10,563,019	566,362	-	11,129,381
Equipment	8,387,857	754,980	(1,440)	9,141,397
Vehicles	<u>1,788,319</u>	<u>149,358</u>	<u>(48,078)</u>	<u>1,889,599</u>
<i>Total accumulated depreciation</i>	<u>29,752,645</u>	<u>2,368,417</u>	<u>(49,518)</u>	<u>32,071,544</u>
<i>Total capital assets being depreciated, net</i>	<u>37,142,967</u>	<u>1,027,727</u>	<u>(20,180)</u>	<u>38,150,514</u>
Governmental activities capital assets, net	<u>\$38,350,722</u>	<u>\$ 1,254,252</u>	<u>\$ (20,180)</u>	<u>\$39,584,794</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, 2012 is summarized as follows:

Governmental activities:	
General support	\$ 524,332
Public safety	245,124
Streets	605,180
Culture and recreation	47,783
Home and Community	<u>945,998</u>
Total depreciation expense	<u>\$ 2,368,417</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	\$ -	\$ (205,117)	\$ 1,839,296
Construction in progress	<u>5,750,320</u>	<u>1,065,895</u>	<u>(6,228,291)</u>	<u>587,924</u>
<i>Total capital assets not being depreciated</i>	<u>7,794,733</u>	<u>1,065,895</u>	<u>(6,433,408)</u>	<u>2,427,220</u>
<i>Capital assets being depreciated:</i>				
Electric Division	145,469,412	3,164,178	(1,190,033)	147,443,557
Waste Water Division	39,722,068	857,995	-	40,580,063
Water Division	34,317,112	1,402,876	(125,477)	35,594,511
Solid Waste Division	1,824,636	177,425	-	2,002,061
District Heat Division	<u>10,709,648</u>	<u>430,411</u>	<u>-</u>	<u>11,140,059</u>
<i>Total capital assets being depreciated</i>	<u>232,042,876</u>	<u>6,032,885</u>	<u>(1,315,510)</u>	<u>236,760,251</u>
<i>Less accumulated depreciation:</i>				
Electric Division	68,841,637	5,197,221	(1,340,196)	72,698,662
Waste Water Division	26,131,611	631,501	-	26,763,112
Water Division	14,718,252	531,650	(125,477)	15,124,425
Solid Waste Division	941,834	114,873	-	1,056,707
District Heat Division	<u>5,799,862</u>	<u>459,448</u>	<u>-</u>	<u>6,259,310</u>
<i>Total accumulated depreciation</i>	<u>116,433,196</u>	<u>6,934,693</u>	<u>(1,465,673)</u>	<u>121,902,216</u>
<i>Total capital assets being depreciated, net</i>	<u>115,609,680</u>	<u>(901,808)</u>	<u>150,163</u>	<u>114,858,035</u>
Business-type activities capital assets, net	<u>\$123,404,413</u>	<u>\$ 164,087</u>	<u>\$ (6,283,245)</u>	<u>\$117,285,255</u>

Depreciation and Amortization 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 and amortization expense for the year ended December 31, 2012 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	\$ 4,914,457	\$ 82,945	\$ 199,819	\$ 5,197,221
Waste Water Division	631,501	-	-	631,501
Water Division	531,650	-	-	531,650
Solid Waste Division	114,873	-	-	114,873
District Heat Division	<u>459,448</u>	<u>-</u>	<u>-</u>	<u>459,448</u>
Total depreciation expense	<u>\$ 6,651,929</u>	<u>\$ 82,945</u>	<u>\$ 199,819</u>	<u>\$ 6,934,693</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, 2012 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	\$ 9,775,000	\$ -	\$ (625,000)	\$ 9,150,000	\$ 720,000
<i>Notes and capital lease obligations:</i>					
Board of Public Utilities:					
Note payable-Electric Division	780,504	-	(64,788)	715,716	67,686
Note payable-District Heat Division	74,296	-	(4,676)	69,620	4,866
Note payable-Electric Division	7,793	-	(2,495)	5,298	2,596
Note payable - NYPA (Via BPU)	1,412,117	-	(251,693)	1,160,424	254,006
Equipment note payable	439,544	-	(119,781)	319,763	124,336
Equipment note payable	209,061	-	(137,990)	71,071	71,071
NYS Police/Fire Retirement System	218,010	-	(69,156)	148,854	72,613
NYS Police/Fire Retirement System	184,226	-	(42,742)	141,484	44,880
Capital lease obligation-Parking ramps	<u>6,690,000</u>	<u>-</u>	<u>(215,000)</u>	<u>6,475,000</u>	<u>225,000</u>
Sub-total	<u>10,015,551</u>	<u>-</u>	<u>(908,321)</u>	<u>9,107,230</u>	<u>867,054</u>
Compensated absences	<u>2,283,215</u>	<u>-</u>	<u>(314,640)</u>	<u>1,968,575</u>	<u>196,858</u>
Total Governmental activities	<u>\$22,073,766</u>	<u>\$ -</u>	<u>\$ (1,847,961)</u>	<u>\$20,225,805</u>	<u>\$ 1,783,912</u>
<u>Business-type Activities:</u>					
General obligation bonds and notes	<u>\$26,468,000</u>	<u>\$ -</u>	<u>\$ (3,228,000)</u>	<u>\$23,240,000</u>	<u>\$ 2,905,000</u>
Total Business-type activities	<u>\$26,468,000</u>	<u>\$ -</u>	<u>\$ (3,228,000)</u>	<u>\$23,240,000</u>	<u>\$ 2,905,000</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	(174,290)
Bond issuance costs, net	<u>\$ 64,873</u>

Amortization expense for the year ended December 31, 2012 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, 2012, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2008-2012)	<u>\$671,856,291</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 47,029,940</u>
Indebtedness subject to constitutional debt limit:	
Governmental activities	9,150,000
Business-type activities	<u>660,000</u>
	<u>9,810,000</u>
 Net Debt Contracting Margin	 <u>\$ 37,219,940</u>
 Percentage of Debt Contracting Power Exhausted	 <u>20.86%</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%	\$ 60,000	\$ -	\$ (15,000)	\$ 45,000
2006A Bond Refunding	2019	3.5%-4.5%	650,000	-	(135,000)	515,000
2006C Bond Refunding	2020	3.5%-4.0%	535,000	-	(105,000)	430,000
2010A Public Improvement	2025	4.0%-4.25%	4,530,000	-	(245,000)	4,285,000
2011A Public Improvement	2026	3.5%-4.25%	4,000,000	-	(125,000)	3,875,000
			<u>\$ 9,775,000</u>	<u>\$ -</u>	<u>\$ (625,000)</u>	<u>\$ 9,150,000</u>

Notes Payable and Capital Lease Obligation

As of December 31, 2012, 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.	\$ 715,716
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.	69,620
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.	5,298
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, 2012 the variable rate was .86%.	1,160,424
Equipment note payable, payable \$33,648 per quarter including interest at 3.75% through May 2015.	319,763

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.	\$ 71,071
Note payable to New York State Police and Fire Retirement System, payable \$80,056 per year including interest at 5.0% through December 2013.	148,854
Note payable to New York State Police and Fire Retirement System, payable \$51,954 per year including interest at 5.0% through December 2014.	141,484
Capital lease obligation for parking ramps, payable \$50,360 per month including interest at 5.9% through February 2030. Secured by parking ramps.	6,475,000
	<u>\$ 9,107,230</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, 2012 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>
2013	\$ 720,000	\$ 359,040	\$ 867,054	\$ 436,817	\$ 1,587,054	\$ 795,857
2014	740,000	330,635	821,841	409,750	1,561,841	740,385
2015	670,000	301,315	702,838	382,599	1,372,838	683,914
2016	600,000	276,312	602,430	361,855	1,202,430	638,167
2017	625,000	252,337	491,282	342,172	1,116,282	594,509
2018-2022	3,260,000	868,426	2,036,785	1,385,808	5,296,785	2,254,234
2023-2027	2,535,000	191,232	2,210,000	792,600	4,745,000	983,832
2028-2030	-	-	1,375,000	126,150	1,375,000	126,150
Totals	<u>\$ 9,150,000</u>	<u>\$ 2,579,297</u>	<u>\$ 9,107,230</u>	<u>\$ 4,237,751</u>	<u>\$18,257,230</u>	<u>\$ 6,817,048</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%	\$ 2,515,000	\$ -	\$ (635,000)	\$ 1,880,000
2006 Bond Refunding	2019	4.00-5.00%	16,380,000	-	(1,790,000)	14,590,000
Improvement Bond	2025	4.13-5.00%	3,500,000	-	(250,000)	3,250,000
<i>District Heating:</i>						
2010A General Obligation Bond	2030	4.00-4.50%	2,965,000	-	(105,000)	2,860,000
Improvement Bond	2026	4.00-5.00%	670,000	-	(35,000)	635,000
<i>Waste Water:</i>						
NYS Environmental Facilities	2012	4.25-6.65%	320,000	-	(320,000)	-
NYS Environmental Facilities	2012	5.70-6.50%	68,000	-	(68,000)	-
Improvement Bond	2013	7.00%	50,000	-	(25,000)	25,000
			<u>\$26,468,000</u>	<u>\$ -</u>	<u>\$ (3,228,000)</u>	<u>\$23,240,000</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, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2016	2,715,000	612,620	3,327,620
2017	2,575,000	502,488	3,077,488
2018-2022	6,795,000	1,114,592	7,909,592
2023-2027	1,870,000	333,357	2,203,357
2028-2030	635,000	42,888	677,888
Totals	<u>\$23,240,000</u>	<u>\$ 5,200,501</u>	<u>\$28,440,501</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 of the (ERS) and (PFRS) are required to contribute 3% of their gross earnings for all years of public service. Effective March 16, 2012, Tier VI employees of the (ERS) and (PFRS) are required to contribute at rates ranging between 3% to 6% of their gross earnings. Applicable contribution rates are based upon various wage levels for all years of public service.

For the New York State and Local Employees Retirement System and the Local Police and Fire 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>
2012	\$1,001,308	\$1,951,100	\$1,549,820
2011	\$ 960,979	\$1,822,960	\$1,219,062
2010	\$ 653,400	\$1,388,768	\$ 900,758

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, 2012.

Annual OPEB Cost and Net OPEB Obligation

	Governmental Activities	Business type Activities	Total
Annual Required Contribution (ARC)	\$ 5,895,795	\$ 566,544	\$ 6,462,339
Interest on net OPEB Obligation	393,037	414,608	807,645
Adjustment to annual required contribution	<u>(407,024)</u>	<u>(381,272)</u>	<u>(788,296)</u>
Annual OPEB Cost	5,881,808	599,880	6,481,688
Less expected Contributions	<u>(2,979,573)</u>	<u>(338,217)</u>	<u>(3,317,790)</u>
Increase in Net OPEB Obligation	2,902,235	261,663	3,163,898
Net OPEB obligation, January 1, 2012	<u>9,825,936</u>	<u>9,213,511</u>	<u>19,039,447</u>
Net OPEB obligation, December 31, 2012	<u>\$ 12,728,171</u>	<u>\$ 9,475,174</u>	<u>\$ 22,203,345</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

	<u>As of 12/31/12</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business type</u> <u>Activities</u>	
Actuarial Accrued Liability (AAL)	\$ 96,294,473	\$ 8,973,435	\$105,267,908
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 96,294,473	\$ 8,973,435	\$105,267,908
Covered Payroll	\$ 15,434,480	\$ 7,834,877	\$ 23,269,357
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>623.89%</u>	<u>114.53%</u>	<u>452.39%</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 in 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 actuarial valuation method utilized is called the Entry Age Normal Method, over a level percent of pay. The actuarial assumptions include a 4.0% 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 2.5% inflation assumption. Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payrolls on an open basis.

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, 2012 as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$ 838,201	\$ 4,000	\$ -
Capital Projects Fund	177,219	-	-	4,000
Special Revenue Fund	<u>660,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 838,201</u>	<u>\$ 838,201</u>	<u>\$ 4,000</u>	<u>\$ 4,000</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>\$33,058,765</u>
<i>Amendments:</i>	
General government support	400,018
Public safety	23,190
Streets	305,420
Culture and recreation	126,721
Home and community services	50,000
Capital outlays	17
Employee benefits	(770,159)
Debt service - interest	<u>5,265</u>
Total amendments	<u>140,472</u>
Revised budget	<u>\$33,199,237</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.

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 \$172,995 as of December 31, 2012.

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 Position

Net position is classified into two categories according to availability of assets for satisfaction of the Divisions obligations. The Divisions net position is 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 position 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 14, 2013, 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, 2012 restricted cash and cash equivalents was comprised of the following:

Electric Division:	
Plant dismantling	\$5,458,544
Economic development	492,729
District Heat Division:	
Installation of natural gas boiler plant	<u>385,126</u>
	<u>\$6,336,399</u>

3. Charges for Future Benefits

As of December 31, 2012, deferred charges were comprised of the following:

Compensated absences	\$1,096,669
Unamortized debt issuance costs	<u>630,345</u>
	<u>\$1,727,014</u>

4. Municipal Electric System Disclosures

Major Customer

The Municipal Electric System sells excess energy into the New York State Independent System Operator, commonly referred to as off system sales. Revenues to the Electric System from this regional transmission organization amounted to approximately 20.5% and 9.1% of Electric System revenue for the years ended December 31, 2012 and 2011, 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.

Other non-current liability - Economic Development

At December 31, 2012, non-current liabilities include \$492,779 for economic development. The economic development liability was originally established with \$600,000. 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 Position Restricted for Plant Dismantling

As of December 31, 2012 net position restricted for plant dismantling totaled \$5,458,544. Net position 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 Electric Divisions's rates. Any amounts exceeding that level are to be restricted for plant dismantling costs. The restricted net position must be placed in a separate bank account. The Board of Public Utilities may withdraw such funds for legitimate plant dismantling expenditures. Actual contributions to the plant dismantling fund are per the PSC approved profit matrix if profits are less than \$1,225,000.

Net Position Restricted for Energy Conservation

As of December 31, 2012 net position restricted for energy conservation totaled (\$25,609). 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.

Extraordinary Item

Expenses that were previously capitalized into construction work in progress in prior years for a project to construct a new clean coal plant were written off by the Division during the year ended December 31, 2012 due to termination of the project. The total amount of construction work in progress written off as an extraordinary item totaled \$5,665,293.

**CITY OF JAMESTOWN, NEW YORK
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**

YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Real property taxes	\$14,320,055	\$14,320,055	\$14,315,961	\$ (4,094)
Real property tax items	251,500	251,500	265,539	14,039
Non-property tax items	6,286,000	6,286,000	6,316,703	30,703
Departmental income	884,500	896,435	722,823	(173,612)
Intergovernmental charges	163,000	163,000	185,009	22,009
Use of money and property	52,000	52,000	39,411	(12,589)
Licenses and permits	219,500	219,500	203,849	(15,651)
Fines and forfeitures	145,000	145,000	113,897	(31,103)
Other unclassified revenue	27,000	27,000	4,446	(22,554)
Board of Public Utilities (PILOT)	3,578,000	3,578,000	3,584,225	6,225
Refund of prior year expenditures	490,000	490,000	418,970	(71,030)
State aid	<u>5,923,210</u>	<u>6,051,747</u>	<u>6,071,241</u>	<u>19,494</u>
Total revenues	<u>32,339,765</u>	<u>32,480,237</u>	<u>32,242,074</u>	<u>(238,163)</u>
Expenditures:				
General government support	\$ 3,706,646	\$ 4,106,664	\$ 3,906,189	\$ 200,475
Public safety	10,369,855	10,393,045	10,285,808	107,237
Streets	3,412,125	3,717,545	3,461,523	256,022
Culture and recreation	1,901,208	2,027,929	1,984,046	43,883
Home and community services	805,000	855,000	865,979	(10,979)
Capital outlays	744,000	744,017	744,017	-
Employee benefits	9,790,000	9,019,841	8,931,365	88,476
Debt service-principal	1,421,423	1,421,423	1,421,423	-
Debt service-interest	<u>908,508</u>	<u>913,773</u>	<u>913,768</u>	<u>5</u>
Total expenditures	<u>33,058,765</u>	<u>33,199,237</u>	<u>32,514,118</u>	<u>685,119</u>
Excess (deficiency) of revenues over expenditures	<u>(719,000)</u>	<u>(719,000)</u>	<u>(272,044)</u>	<u>446,956</u>
Other Sources:				
Transfers in from other funds	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total other sources	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	(715,000)	(715,000)	(268,044)	446,956
Net Position, beginning of year	<u>3,088,356</u>	<u>3,088,356</u>	<u>3,088,356</u>	<u>-</u>
Net Position, end of year	<u>\$ 2,373,356</u>	<u>\$ 2,373,356</u>	<u>\$ 2,820,312</u>	<u>\$ 446,956</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FUNDING PROGRESS FOR OPEB OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Schedule of Funding Progress

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

	<u>As of 12/31/12</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
1. Actuarial Accrued Liability (AAL)	\$ 96,294,473	\$ 8,973,435	\$105,267,908
2. Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 96,294,473	\$ 8,973,435	\$105,267,908
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$ 15,434,480	\$ 7,834,877	\$ 23,269,357
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>623.89%</u>	<u>114.53%</u>	<u>452.39%</u>

Schedule of Employer Contributions

December 31, 2012	\$ 2,979,573	\$ 338,217
December 31, 2011	\$ 2,635,527	\$ 295,339
December 31, 2010	\$ 2,467,068	\$ 325,894

Schedule of Funding Progress

Governmental Activities

<u>Fiscal Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<u>Beginning</u>						
01/01/10	\$0	\$83,283,836	\$83,283,836	0.00%	\$15,414,662	540.29%
01/01/11	\$0	\$83,976,376	\$83,976,376	0.00%	\$16,031,248	523.83%
01/01/12	\$0	\$96,294,473	\$96,294,473	0.00%	\$15,434,480	623.89%

Business-type Activities

<u>Fiscal Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<u>Beginning</u>						
01/01/10	\$0	\$ 5,465,137	\$ 5,465,137	0.00%	\$ 7,448,136	73.38%
01/01/11	\$0	Not calculated	Not calculated	0.00%	Not calculated	Not calculated
01/01/12	\$0	\$ 8,973,435	\$ 8,973,435	0.00%	\$ 7,834,877	114.53%

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, 2012

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 10,454	\$ 3,516,276	\$ 95,405	\$ 3,622,135
Due from other funds	660,982	-	-	660,982
Account receivable:				
Governments	-	138,123	-	138,123
Other	-	12,459	-	12,459
Loans receivable, net of allowance of \$798,691 for loan loss	-	1,464,212	-	1,464,212
Real property held for sale	<u>-</u>	<u>18,643</u>	<u>-</u>	<u>18,643</u>
Total assets	<u>671,436</u>	<u>5,149,713</u>	<u>95,405</u>	<u>5,916,554</u>
Liabilities				
Account payable and accrued expenses	-	49,301	-	49,301
Amounts held in escrow and other	-	916	-	916
Deferred revenue	<u>671,436</u>	<u>186,490</u>	<u>-</u>	<u>857,926</u>
Total liabilities	<u>671,436</u>	<u>236,707</u>	<u>-</u>	<u>908,143</u>
Fund Balance				
Reserved for:				
Economic development	-	4,913,006	-	4,913,006
Risk retention	<u>-</u>	<u>-</u>	<u>95,405</u>	<u>95,405</u>
Total fund balance	<u>\$ -</u>	<u>\$ 4,913,006</u>	<u>\$ 95,405</u>	<u>\$ 5,008,411</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, 2012

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Revenues:				
Departmental income	\$ -	\$ 429,615	\$ -	\$ 429,615
Use of money and property	-	82,952	205	83,157
Local sources and other revenue	133,189	11,233	-	144,422
Grants and contributions	-	352,861	-	352,861
Interfund revenues	-	363,500	-	363,500
State aid	401,523	262,025	-	663,548
Federal aid	<u>15,544</u>	<u>1,980,151</u>	<u>-</u>	<u>1,995,695</u>
Total revenues	<u>550,256</u>	<u>3,482,337</u>	<u>205</u>	<u>4,032,798</u>
Expenditures:				
General government support	-	903,914	-	903,914
Public safety	244,781	-	-	244,781
Home and community	23,759	1,905,151	-	1,928,910
Capital outlays	113,164	301,525	-	414,689
Economic development	<u>168,552</u>	<u>525,698</u>	<u>-</u>	<u>694,250</u>
Total expenditures	<u>550,256</u>	<u>3,636,288</u>	<u>-</u>	<u>4,186,544</u>
Excess (deficiency) of revenues over expenditures	-	(153,951)	205	(153,746)
Fund balance, beginning of year	<u>-</u>	<u>5,066,957</u>	<u>95,200</u>	<u>5,162,157</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 4,913,006</u>	<u>\$ 95,405</u>	<u>\$ 5,008,411</u>

See Independent Auditor's Report.

**CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2012

<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	\$ 1,403,287
Home Investment Partnership Program (HOME)	14.239	491,764
Homeless Prevention and Rapid Re-Housing Program	14.257	<u>85,100</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,980,151</u>
<u>U.S. Department of Justice</u>		
Direct Programs:		
Edward Byrne Justice Assistance Grant	16.738	\$ 6,746
Total U.S. Department of Justice		<u>\$ 6,746</u>
<u>Federal Department of Transportation</u>		
Direct Programs:		
Highway Planning and Construction	20.205	\$ 8,798
Total Federal Department of Transportation		<u>\$ 8,798</u>
Total Federal Expenditures		<u><u>\$ 1,995,695</u></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 position, 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 \$8,798.

**CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2012

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

 X No

Significant deficiency identified not considered to be a material weakness?

 Yes

 X None Reported

Noncompliance material to financial statements noted?

 Yes

 X No

Federal Awards

Internal Control over major programs:

Material weakness identified?

 Yes

 X No

Significant deficiency identified not considered to be a material weakness?

 Yes

 X 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

 X No

Identification of major program:

CFDA Number

14.218

14.239

Name of Federal Program

Community Development Block Grant

Home Investment Partnership Program (HOME)

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

\$300,000

Auditee qualified as low-risk auditee?

 X 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, 2012

There were no audit findings noted for the year ended December 31, 2011.

**Independent Auditor's 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, 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, the 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Jamestown, New York's basic financial statements and have issued my report thereon dated September 4, 2013.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, I considered the City of Jamestown, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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. Accordingly, I do not express an opinion on the effectiveness of the City of Jamestown, New York's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jamestown, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jamestown, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 4, 2013

**Independent Auditor's Report on Compliance For Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133**

To the City Council
City of Jamestown, New York

Report on Compliance for Each Major Federal Program

I have audited the City of Jamestown, New York's compliance with the types of compliance requirements described in the 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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on the compliance for each of the City of Jamestown, New York's major federal programs based on the audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Jamestown, New York's compliance.

Opinion on each Major Federal Program

In my opinion, the City of Jamestown, New York, complied, in all material respects, with the types of compliance 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, 2012.

Report on Internal Control Over Compliance


Management of City of Jamestown, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance (Cont'd)

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses.

This purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
September 4, 2013