

CITY OF JAMESTOWN, NEW YORK
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Independent Report of Auditor

To the City Council
City of Jamestown, New York

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York as of and for the year ended December 31, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jamestown, New York's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Board of Public Utilities which is included in the Business-type activities section of the Government-wide financial statements. Those financial statements were audited by other auditors whose reports thereon has 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 includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York as of December 31, 2005 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2006, on my consideration of the City of Jamestown, New York's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3 through 11 and budgetary comparison information on page 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Jamestown, New York. The combining fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature of John S. Trussalo in dark ink, followed by the text "CPA P.C." in a smaller, handwritten font.

JOHN S. TRUSSALO, CPA, P.C.

July 31, 2006

CITY OF JAMESTOWN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2005

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, 2005. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net assets of the City's governmental activities included in the Government-wide financial statements increased \$550,264 or 3% to \$19,495,281. Revenues from governmental activities totaled \$30,945,485 for 2005 compared to \$29,309,981 for 2004. Expenditures for governmental activities totaled \$30,395,221 for 2005 compared to \$28,403,082 for 2004.
- The fund balance of the City's General Fund included in the Fund financial statements increased \$149,677 to \$1,669,101 as of December 31, 2005 compared to a fund balance of \$1,519,424 as of December 31, 2004.

THE FINANCIAL STATEMENTS

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the differences between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

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

Governmental activities

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

Business-type activities

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

Fund Financial Statements

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

Governmental Funds

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-wide financial statements are explained in a reconciliation schedule following each Governmental fund financial statement.

Proprietary Funds

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

Fiduciary Funds

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets for the City of Jamestown, New York, as a whole, totaled \$112,473,415 as of December 31, 2005 and \$113,277,696 as of December 31, 2004, a decrease of \$804,281. This decrease of \$804,281 resulted from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets..

The City's combined Net Assets for the years ended December 31, 2005 and 2004 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>						
Current and other assets	\$13,166,991	\$20,975,022	\$ 16,161,964	\$ 13,065,746	\$ 29,328,955	\$ 34,040,768
Capital assets	<u>27,869,707</u>	<u>19,184,010</u>	<u>130,994,736</u>	<u>132,549,388</u>	<u>158,864,443</u>	<u>151,733,398</u>
Total assets	<u>\$41,036,698</u>	<u>\$40,159,032</u>	<u>\$147,156,700</u>	<u>\$145,615,134</u>	<u>\$188,193,398</u>	<u>\$185,774,166</u>
<u>Liabilities</u>						
Long-term debt	\$17,701,121	\$17,570,143	39,789,000	37,424,047	57,490,121	54,990,190
Other liabilities	<u>3,840,296</u>	<u>3,643,872</u>	<u>14,389,566</u>	<u>13,858,408</u>	<u>18,229,862</u>	<u>17,502,280</u>
Total liabilities	<u>21,541,417</u>	<u>21,214,015</u>	<u>54,178,566</u>	<u>51,282,455</u>	<u>75,719,983</u>	<u>72,496,470</u>
<u>Net Assets</u>						
Investment in capital assets, net of related debt	13,832,209	12,171,013	91,205,736	94,555,412	105,037,945	106,726,425
Restricted	7,161,039	7,931,541	-	-	7,161,039	7,931,541
Unrestricted	<u>(1,497,967)</u>	<u>(1,157,537)</u>	<u>1,772,398</u>	<u>(222,733)</u>	<u>274,431</u>	<u>(1,380,270)</u>
Total net assets	<u>19,495,281</u>	<u>18,945,017</u>	<u>92,978,134</u>	<u>94,332,679</u>	<u>112,473,415</u>	<u>113,277,696</u>
Total Liabilities and Net Assets	<u>\$41,036,698</u>	<u>\$40,159,032</u>	<u>\$147,156,700</u>	<u>\$145,615,134</u>	<u>\$188,193,398</u>	<u>\$185,774,166</u>

Net Asset Analysis - Overall

Total net assets totaled \$112,473,415 as of December 31, 2005 of which \$105,037,945 (93.39%) represents the City's investment in capital assets net of related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Asset Analysis - Governmental Activities

The City's net assets from governmental activities increased \$550,264 or 3% to \$19,495,281. Invested in capital assets net of related debt increased \$1,661,196 or 14% to \$13,832,209. Restricted net assets decreased \$770,502 or 10% to \$7,161,039 as a result of reclassification of assets as reserved for specific projects and programs. Unrestricted net assets were at a deficit of \$1,497,967 as of December 31, 2005 compared to a deficit of \$1,157,537 as of December 31, 2004. The increased deficit in unrestricted net assets was primarily due to the costs associated with compensated absences for employees and required funding for the NYS Police and Fire Retirement System.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Net Asset Analysis - Business-type Activities

The City's net assets from business-type activities decreased \$1,354,545 or 1% to \$92,978,134. Invested in Capital assets, net of related debt decreased \$3,349,676 or 4% to \$94,555,412. Unrestricted net assets totaled \$1,772,398 as of December 31, 2005 compared to a deficit of \$222,733 as of December 31, 2004, an increase of \$1,995,131.

Analysis of Changes in Net Assets

The change in the City's net assets for governmental activities and business-type activities for the years ended December 31, 2005 and 2004 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,938,445	\$ 1,843,772	\$45,570,663	\$45,961,047	\$ 47,509,108	\$ 47,804,819
Operating grant/contributions	2,903,652	2,878,006	-	-	2,903,652	2,878,006
Capital grants/contributions	773,540	937,066	-	-	773,540	937,066
General revenues:						
Real property taxes	11,592,805	11,130,695	-	-	11,592,805	11,130,695
Sales tax	5,124,484	4,981,340	-	-	5,124,484	4,981,340
Board of Public Utilities	3,275,153	3,193,504	-	-	3,275,153	3,193,504
Investment earnings	548,543	362,184	129,820	84,228	678,363	446,412
State Aid	3,733,560	3,239,611	-	-	3,733,560	3,239,611
Other	1,055,303	743,803	-	-	1,055,303	743,803
Total revenues	<u>30,945,485</u>	<u>29,309,981</u>	<u>45,700,483</u>	<u>46,045,275</u>	<u>76,645,968</u>	<u>75,355,256</u>
Expenses:						
General support	4,476,329	4,313,384	-	-	4,476,329	4,313,384
Education	-	299,982	-	-	-	299,982
Public safety	9,685,689	9,554,133	-	-	9,685,689	9,554,133
Public improvements/projects	446,302	360,469	-	-	446,302	360,469
Transportation and streets	1,847,664	1,683,371	-	-	1,847,664	1,683,371
Culture and recreation	1,891,622	1,798,870	-	-	1,891,622	1,798,870
Home and community service	3,865,556	3,138,294	-	-	3,865,556	3,138,294
Employee benefits	7,410,445	6,745,963	-	-	7,410,445	6,745,963
Interest expense	771,614	508,616	1,909,592	2,078,303	2,681,206	2,586,919
Utility operations	-	-	45,145,507	44,977,657	45,145,507	44,977,657
Total expenses	<u>30,395,221</u>	<u>28,403,082</u>	<u>47,055,099</u>	<u>47,055,960</u>	<u>77,450,320</u>	<u>75,459,042</u>
Change in net assets	550,264	906,899	(1,354,616)	(1,010,685)	(804,352)	(103,786)
Net assets, beginning of year	18,945,017	18,038,118	95,332,679	95,343,349	113,277,696	113,381,467
Other adjustments	-	-	71	15	71	15
Net assets, end of year	<u>\$19,495,281</u>	<u>\$18,945,017</u>	<u>\$92,978,134</u>	<u>\$94,332,679</u>	<u>\$112,473,415</u>	<u>\$113,277,696</u>

Governmental Activities

Revenues from the City's governmental activities totaled \$30,945,485 for 2005 compared to \$29,309,981 for 2004. Revenues for 2005 were comprised of the following: property tax revenue (37%), sales tax revenue (17%), State aid revenue (12%) and Board of Public Utilities payments in lieu of tax revenue (11%).

The cost of all governmental activities totaled \$30,395,221 for 2005 compared to \$28,403,082 for 2004. The City's programs for governmental activities include General Government, Fire, Police, Public Works, Community Development, and Parks and Recreation.

Business-type Activities

The business-type activities include Electric, Water, Waste Water, Sanitation, and District Heat services.

As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users totaled \$45,570,066 for 2005 and \$45,961,047 for 2004. Investment earnings totaled \$129,820 for 2005 and \$84,228 for 2004. The cost of all Proprietary (Business-type) activities totaled \$47,055,099 for 2005 and \$47,055,960 for 2004.

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$17,701,121 as of December 31, 2005 and \$17,570,143 as of December 31, 2004; a net increase of \$130,978. As of December 31, 2005, long-term liabilities were comprised of the following: General Obligation Bonds \$4,970,000; Notes payable to Board of Public Utilities \$1,238,898; Bond anticipation notes payable \$1,085,000; Compensated absences \$1,608,423; Obligations under capital lease \$7,828,600; Notes payable to NYS Police and Fire Retirement System \$970,200.

During the year ended December 31, 2005, the City entered into a \$7,810,000 capital lease arrangement for the Cherry Street and Second Street parking ramps; refinanced a \$750,000 bond anticipation note used to facilitate the City's property re-evaluation project; issued a \$335,000 bond anticipation note to fund parking lots and meters; repaid a \$8,250,000 bond anticipation note which had been used to facilitate the construction and renovation to the Cherry and Second Street parking ramps and other parking lots throughout the City; borrowed \$401,174 to fund the 2005 required contribution to the NYS Police and Retirement System; and the liability for compensated absences increased \$140,508. Detailed information regarding long term liabilities is included in the notes to the basic financial statements.

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, 2005 the City's general obligation debt, including statutory exclusions, was at 32.51% of the legal limit. Detailed information regarding the statutory debt limit is included in the notes to the basic financial statements.

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$39,789,000 as of December 31, 2005 and \$37,424,047 as of December 31, 2004; a net increase of \$2,364,953. Detailed information regarding long term liabilities is included in the notes to the basic financial statements.

CAPITAL ASSETS

Governmental Activities

As of December 31, 2005, the City's governmental-activities maintained \$27,869,707 in capital assets (Cost \$45,224,670 less accumulated depreciation of \$17,354,963) compared to \$19,184,101 as of December 31, 2004. Current year capital additions of \$10,684,788 were for the following: infrastructure (including roads, sidewalks, and storm sewers) \$1,741,067; buildings and structures \$8,523,568; equipment \$398,274; vehicles \$21,879. The additions to buildings and structures includes \$7,810,000 for the Cherry and Second Street Parking Ramps acquired via a capital lease arrangement. Depreciation expense totaled \$1,516,515 for the year ended December 31, 2005 and \$1,265,107 for the year ended December 31, 2004. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

CAPITAL ASSETS (Cont'd)

Business-type Activities

As of December 31, 2005, the City's business-type activities maintained \$130,994,736 in capital assets (Cost \$209,788,954 less accumulated depreciation of \$78,794,218) compared to \$132,549,388 as of December 31, 2004. Current year capital additions of \$4,962,814 were for the following: construction in progress \$1,791,293; Municipal Electric Division \$2,005,271; Waste Water Division \$270,397; Water Division \$750,354; Solid Waste Division \$13,027; District Heat Division \$132,472. Depreciation expense totaled \$6,770,145 for the year ended December 31, 2005 and \$6,155,001 for the year ended December 31, 2004. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds reported a combined fund balance of \$8,685,772 as of December 31, 2005 (as presented on the balance sheet on page 14) and \$16,495,483 as of December 31, 2004; a decrease of \$7,809,711. The schedule below indicates the fund balance and the net increase/decrease in fund balances as of and for the years ended December 31, 2005 and 2004.

	<u>Fund Balance</u> <u>2005</u>	<u>Fund Balance</u> <u>2004</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 1,669,101	\$ 1,519,424	\$ 149,677
Capital fund	1,743,256	9,527,137	(7,783,881)
Special revenue fund	5,273,415	5,448,922	(175,507)
Total	<u>\$ 8,685,772</u>	<u>\$16,495,483</u>	<u>\$(7,809,711)</u>

General Fund

The change in the City's General fund balance for the year ended December 31, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Revenues and Other Sources:		
Real property taxes	\$11,600,259	\$11,144,627
Real property tax items	252,859	195,099
Non-property tax items	5,672,517	5,524,360
Departmental income	799,527	750,880
Intergovernmental charges	106,846	104,059
State aid	4,486,009	4,081,623
Sale of property/compensation for loss	215,000	217,550
Board of Public Utilities (PILOT)	3,275,153	3,193,504
Use of money and property	178,462	103,654
Other revenue	530,245	365,636
Proceeds from issuance of debt	401,174	618,174
Inter-fund transfers in	170,000	63,000
Total revenues	<u>27,688,051</u>	<u>26,362,166</u>
Expenditures:		
General government support	3,312,064	3,116,730
Education	-	299,982
Public safety	9,427,296	9,392,861
Streets	2,495,272	2,064,376
Culture and recreation	1,859,908	1,724,938
Home and community services	681,593	650,500
Capital outlays	639,000	671,367
Employee benefits	7,395,808	6,740,679
Debt service - Principal	992,726	886,739
Debt service - Interest	734,707	506,151
	<u>27,538,374</u>	<u>26,054,323</u>
Excess of revenues over expenditures	149,677	307,843
Fund balance, beginning of year	<u>1,519,424</u>	<u>1,211,581</u>
Fund balance, end of year	<u>\$ 1,669,101</u>	<u>\$ 1,519,424</u>

General Fund (Cont'd)

General Fund revenues totaled \$27,688,051 for 2005 and \$26,362,166 for 2004. Increased revenues of \$1,325,885 for 2005 was primarily the result of increased real property taxes and items of \$513,392; state aid \$404,386; Board of Public Utilities (PILOT) payments of \$81,649.

Expenditures totaled \$27,538,374 for 2005 and \$26,054,323 for 2004. Increased expenditures of \$1,484,051 was primarily the result of the following: debt service principal and interest \$334,543; employee benefits including health and retirement costs \$655,129.

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 2005, the City appropriated \$321,000 of its 2004 fund balance. During the year, general fund revenues and other sources exceeded budget by \$405,053 while expenditures were \$65,624 less than budgeted. As a result, the City's fund balance as of December 31, 2005 is \$470,677 higher than budgeted. The 2005 General Fund final expenditure budget totaled \$27,603,998 compared to a 2004 final expenditure budget of \$26,165,034. The 2005 final expenditure budget included a supplementary increase of \$836,338 from the original approved budget and is detailed in the notes 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 43.

Capital Fund

The change in the City's Capital fund balance for the years ended December 31, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Revenues and Other Sources:		
Proceeds from issuance of debt	\$ 1,085,000	\$ 1,858,000
General fund appropriations	639,000	682,502
Refund of prior year expenditures	-	619,474
Use of money and property	169,044	92,049
State aid	21,091	-
Other revenue	11,267	17,894
Total revenues	<u>1,925,402</u>	<u>3,269,919</u>
Expenditures and Other Uses:		
Debt service - Principal	8,250,000	-
Capital outlay	1,289,283	1,575,761
Transfer out to General Fund	170,000	63,000
	<u>9,709,283</u>	<u>1,638,761</u>
Excess (deficiency) of revenues over expenditures	(7,783,881)	1,631,158
Fund balance, beginning of year	<u>9,527,137</u>	<u>7,895,979</u>
Fund balance, end of year	<u>\$ 1,743,256</u>	<u>\$ 9,527,137</u>

Capital Fund (Cont'd)

The decrease in Capital fund revenues of \$1,344,517 was primarily the result of borrowing \$773,000 less in 2005 than in 2004; refund of ramp expenditures of \$619,474 received in 2004 and \$0 in 2005. For the year ended December 31, 2005, capital expenditures totaled \$1,289,283 and were comprised of the following:

Street resurfacing, construction, curb and gutter, sidewalk and storm sewer	\$ 538,499
City wide reassessment	301,592
Park improvements	235,994
Parking ramp construction and improvements	138,635
Building improvements	32,915
Other equipment and tree planting	30,886
Department of Public Works equipment	10,762
	<u>\$ 1,289,283</u>

On September 23, 2005, the Capital fund repaid a \$7,500,000 bond anticipation note which was used to facilitate the Cherry and Second Street parking ramps and refinanced a \$750,000 bond anticipation note used to finance the City's property re-evaluation project.

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, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Revenues and Other Sources:		
Departmental income	\$ 581,595	\$ 578,623
Use of money and property	201,037	166,481
Inter-fund revenues	268,438	322,731
Federal aid	2,532,198	2,273,576
State aid	324,316	768,875
Other revenue	182,713	43,623
Total revenues	<u>4,090,297</u>	<u>4,153,909</u>
Expenditures and Other Uses:		
General government support	929,876	858,328
Home and community services/development	<u>3,335,928</u>	<u>3,205,707</u>
	<u>4,265,804</u>	<u>4,064,035</u>
Excess (deficiency) of revenues over expenditures	(175,507)	89,874
Fund balance, beginning of year	<u>5,448,922</u>	<u>5,359,048</u>
Fund balance, end of year	<u>\$ 5,273,415</u>	<u>\$ 5,448,922</u>

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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.

During the years ended December 31, 2005, 2004 and 2003, all municipalities in the State of New York, including the City of Jamestown, New York, experienced a significant increase in the cost of retirement benefits paid on behalf of employees participating in the NYS Employees Retirement System and the NYS Police and Fire Retirement System. Payments to the NYS Employees Retirement System, based upon a percentage of payroll, were as follows: 4.5% in 2003; 11.9% in 2004; 11.0% in 2005. Payments to the NYS Police and Fire Retirement System, based upon a percentage of payroll were as follows: 4.5% in 2003; 15.6% in 2004; 14.20% in 2005. Required minimum payments due to the Retirement Systems increased to 9.5% of eligible wages in 2005 and will increase to 10.5% of eligible wages in 2006.

During 2004, the City of Jamestown, New York negotiated labor contracts with its five collective bargaining units. The terms of those agreements resulted in pay increases ranging from 3.0% and 3.25% for 2005, 2006 and 2007.

For the year ended December 31, 2005, the City was at 74.49% of its Constitutional Tax Limit (See Note 3). 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 and a property reassessment which was substantially completed in 2006.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report, contact the Office of Comptroller at the City Hall, 200 East Third, Jamestown, New York, 14701, phone 716-483-7538.

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	PRIMARY GOVERNMENT		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>	
Cash and cash equivalents	\$ 5,262,213	\$ 5,489,001	\$ 10,751,214
Receivables:			
State, federal, and local governments	1,436,572	-	1,436,572
School taxes	1,030,740	-	1,030,740
Accounts and other, net of allowance	402,013	4,615,217	5,017,230
Loans, less allowance for doubtful accounts	3,107,333	1,238,898	4,346,231
Prepaid expenses and deposits	484,317	13,796	498,113
Deposits held in custody	603,885	-	603,885
Property acquired for taxes and held for sale	239,168	-	239,168
Inventories	43,286	1,802,611	1,845,897
Work in process	557,464	-	557,464
Other assets	-	1,565,129	1,565,129
Deferred charges	-	1,437,312	1,437,312
Capital assets:			
Land and construction in progress	1,207,755	5,562,732	6,770,487
Other capital assets, net of depreciation	<u>26,661,952</u>	<u>125,432,004</u>	<u>152,093,956</u>
 Total assets	 <u>\$ 41,036,698</u>	 <u>\$147,156,700</u>	 <u>\$188,193,398</u>
 <u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 2,147,051	\$ 5,584,242	\$ 7,731,293
Due to other governments	1,693,245	-	1,693,245
Non current liabilities:			
Due within one year	2,230,474	3,714,500	5,944,974
Due in more than one year	15,470,647	36,074,500	51,545,147
Other noncurrent liabilities:			
Accumulated post employment obligation	-	7,014,652	7,014,652
Miscellaneous operating reserves	-	<u>1,790,672</u>	<u>1,790,672</u>
Total liabilities	<u>21,541,417</u>	<u>54,178,566</u>	<u>75,719,983</u>
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	13,832,209	91,205,736	105,037,945
Restricted for:			
Capital projects/capital lease deposit	1,262,141	-	1,262,141
Economic development	5,719,510	-	5,719,510
Risk retention	179,388	-	179,388
Unrestricted	<u>(1,497,967)</u>	<u>1,772,398</u>	<u>274,431</u>
Total net assets	<u>19,495,281</u>	<u>92,978,134</u>	<u>112,473,415</u>
 Total liabilities and net assets	 <u>\$ 41,036,698</u>	 <u>\$147,156,700</u>	 <u>\$188,193,398</u>

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

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General support	\$ 4,476,329	\$ 629,362	\$ 19,337	\$ -	\$ (3,827,630)	\$ -	\$ (3,827,630)
Public safety	9,685,689	636,455	-	-	(9,049,234)	-	(9,049,234)
Public improvements/projects	446,302	-	-	773,540	327,238	-	327,238
Streets	1,847,664	91,033	-	-	(1,756,631)	-	(1,756,631)
Culture and recreation	1,891,622	-	-	-	(1,891,622)	-	(1,891,622)
Home and community service	3,865,556	581,595	2,884,315	-	(399,646)	-	(399,646)
Employee benefits	7,410,445	-	-	-	(7,410,445)	-	(7,410,445)
Interest on long-term debt	771,614	-	-	-	(771,614)	-	(771,614)
Total Governmental activities	<u>30,395,221</u>	<u>1,938,445</u>	<u>2,903,652</u>	<u>773,540</u>	<u>(24,779,584)</u>	<u>-</u>	<u>(24,779,584)</u>
Business-type activities:							
Board of Public Utilities	<u>47,055,099</u>	<u>45,570,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,484,436)</u>	<u>(1,484,436)</u>
Total Business-type activities	<u>47,055,099</u>	<u>45,570,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,484,436)</u>	<u>(1,484,436)</u>
 Total Primary Government	 <u>\$ 77,450,320</u>	 <u>\$ 47,509,108</u>	 <u>\$ 2,903,652</u>	 <u>\$ 773,540</u>	 <u>(24,779,584)</u>	 <u>(1,484,436)</u>	 <u>(26,264,020)</u>
General Revenues:							
Property taxes for general purposes					\$ 11,592,805	\$ -	\$ 11,592,805
Sales taxes for general purposes					5,124,484	-	5,124,484
State aid not restricted to specific purpose					3,733,560	-	3,733,560
Board of Public Utilities (PILOT)					3,275,153	-	3,275,153
Investment earnings					548,543	129,820	678,363
Refunds and other unclassified revenue					416,098	-	416,098
Franchise fees/Utilities gross receipts					386,346	-	386,346
Other tax items					<u>252,859</u>	<u>-</u>	<u>252,859</u>
Total general revenues					<u>25,329,848</u>	<u>129,820</u>	<u>25,459,668</u>
Change in net assets					550,264	(1,354,616)	(804,352)
Net assets, beginning of year					18,945,017	94,332,679	113,277,696
Other adjustments					<u>-</u>	<u>71</u>	<u>71</u>
Net assets, end of year					<u>\$ 19,495,281</u>	<u>\$ 92,978,134</u>	<u>\$112,473,415</u>

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

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,913,990	\$ 1,247,761	\$ 2,100,462	\$ 5,262,213
Receivables:				
State, Federal, and Local Governments	1,339,940	30,000	66,632	1,436,572
School taxes	1,030,740	-	-	1,030,740
Other	384,707	-	8,780	393,487
Accounts - Public Works	8,526	-	-	8,526
Loans, less allowance for loan loss	-	-	3,107,333	3,107,333
Prepaid expenses	484,317	-	-	484,317
Deposit held in custody	-	-	603,885	603,885
Property acquired for taxes and held for sale	11,525	-	227,643	239,168
Due from other funds	635,354	502,762	471,764	1,609,880
Inventories	43,286	-	-	43,286
Work-in-process	557,464	-	-	557,464
Total Assets	<u>\$ 6,409,849</u>	<u>\$ 1,780,523</u>	<u>\$ 6,586,499</u>	<u>\$14,776,871</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Payables:				
Accounts	\$ 677,385	\$ 28,358	\$ 42,167	\$ 747,910
School district	1,693,245	-	-	1,693,245
Other	12,423	-	1,791	14,214
Accrued liabilities	1,367,729	-	-	1,367,729
Due to other funds	974,526	8,909	643,643	1,627,078
Deferred revenue:				
Property taxes	11,525	-	-	11,525
Other	3,915	-	126,732	130,647
Grants	-	-	498,751	498,751
Total Liabilities	<u>4,740,748</u>	<u>37,267</u>	<u>1,313,084</u>	<u>6,091,099</u>
<u>FUND BALANCES</u>				
Reserved for:				
Capital projects/capital lease deposit	603,885	1,408,256	-	2,012,141
Debt service	-	335,000	-	335,000
Economic development	-	-	5,094,027	5,094,027
Risk retention	-	-	179,388	179,388
Designated for subsequent year's expenditures	198,424	-	-	198,424
Unappropriated fund balance	866,792	-	-	866,792
Total Fund Balances	<u>1,669,101</u>	<u>1,743,256</u>	<u>5,273,415</u>	<u>8,685,772</u>
Total Liabilities and Fund Balances	<u>\$ 6,409,849</u>	<u>\$ 1,780,523</u>	<u>\$ 6,586,499</u>	<u>\$14,776,871</u>

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

CITY OF JAMESTOWN, NEW YORK

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

YEAR ENDED DECEMBER 31, 2005

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

Total fund balance - governmental funds	\$ 8,685,772
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$45,224,670 and the accumulated depreciation is \$17,354,963.	27,869,707
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.	(17,701,121)
Grants and other receipts restricted for a specific purpose are deferred in the governmental funds until the restriction is met. The government-wide financial statements recognize grants and other receipts when received.	629,398
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>11,525</u>
Total net assets - governmental activities	<u>\$19,495,281</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, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$11,600,259	\$ -	\$ -	\$11,600,259
Real property tax items	252,859	-	-	252,859
Non-property tax items	5,672,517	-	-	5,672,517
Departmental income	799,527	-	581,595	1,381,122
Intergovernmental charges	106,846	-	-	106,846
Use of money and property	178,462	169,044	201,037	548,543
Licenses and permits	143,762	-	-	143,762
Fines and forfeitures	164,365	-	-	164,365
Sale of property/compensation for loss	215,000	-	-	215,000
Other unclassified revenue	68,725	11,267	182,713	262,705
Board of Public Utilities (PILOT)	3,275,153	-	-	3,275,153
Refund of prior year expenditures	153,393	-	-	153,393
State aid	4,486,009	21,091	324,316	4,831,416
Interfund revenues	-	639,000	268,438	907,438
Federal aid	-	-	2,532,198	2,532,198
Total revenues	<u>27,116,877</u>	<u>840,402</u>	<u>4,090,297</u>	<u>32,047,576</u>
Expenditures:				
General government support	3,312,064	-	929,876	4,241,940
Public safety	9,427,296	-	-	9,427,296
Streets	2,495,272	-	-	2,495,272
Culture and recreation	1,859,908	-	-	1,859,908
Home and community services/development	681,593	-	3,335,928	4,017,521
Capital outlays	639,000	1,289,283	-	1,928,283
Employee benefits	7,395,808	-	-	7,395,808
Debt service:				
Principal	992,726	8,250,000	-	9,242,726
Interest	734,707	-	-	734,707
Total expenditures	<u>27,538,374</u>	<u>9,539,283</u>	<u>4,265,804</u>	<u>41,343,461</u>
Excess (deficiency) revenues over expenditures	<u>(421,497)</u>	<u>(8,698,881)</u>	<u>(175,507)</u>	<u>(9,295,885)</u>
Other Sources (Uses):				
Proceeds from issuance of debt, net	401,174	1,085,000	-	1,486,174
Interfund transfers	170,000	(170,000)	-	-
Total other sources	<u>571,174</u>	<u>915,000</u>	<u>-</u>	<u>1,486,174</u>
Net change in fund balances	149,677	(7,783,881)	(175,507)	(7,809,711)
Fund balances, beginning of year	<u>1,519,424</u>	<u>9,527,137</u>	<u>5,448,922</u>	<u>16,495,483</u>
Fund balances, end of year	<u>\$ 1,669,101</u>	<u>\$ 1,743,256</u>	<u>\$ 5,273,415</u>	<u>\$ 8,685,772</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, 2005

Net change in fund balances - total governmental funds \$ (7,809,711)

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 \$2,299,785 exceed depreciation \$1,516,515 in the current year. 783,270

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:

Proceeds from issuance of bond anticipation notes	\$(1,085,000)	
Proceeds from issuance of Police and Fire Retirement System note	(401,174)	
Repayment of bond anticipation notes	8,250,000	
Repayment of debt principal on general obligation bonds	878,952	
Repayment of debt principal on Board of Public Utilities notes	54,410	
Repayment of debt principal on NYS Police/Fire Retirement System note	49,148	
Repayment of debt principal on NYS Employees Retirement System note	42,014	
Principal payments on obligations under capital leases	<u>123,516</u>	
		7,911,866

Governmental funds recognize a gain from the installment sale of assets as revenue when the funds become available. The government-wide financial statements recognized the gain as of the date sold. (215,000)

Governmental funds do not recognize the net increase in the liability for compensated absences. The government-wide financial statements includes as an expenditure, the net increase in the liability for compensated absences. (140,508)

Proceeds from the sale of property acquired for taxes are recognized as revenue in the governmental funds when sold. The government-wide financial statements recognize these items when acquired. (7,454)

Grants and other receipts restricted for a specific purpose are deferred in the governmental funds until the restriction is met via expenditure. The government-wide financial statements recognize restricted grants and other receipts when received. 27,801

Change in net assets of governmental activities **\$ 550,264**

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

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

DECEMBER 31, 2005

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

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,489,001
Receivables:	
Accounts (less provision for uncollectible accounts of \$288,354)	3,993,067
Affiliates	622,150
Inventories - materials and supplies	1,802,611
Other current and accrued assets	<u>1,484,275</u>
Total current assets	<u>13,391,104</u>

Noncurrent assets:

Property and equipment, net	130,994,736
Deferred charges	1,437,312
Loans receivable - City of Jamestown	1,238,898
Deposits and prepayments	13,796
Invested funds designated for renewal and replacement of existing plant	67,199
Non-utility property	<u>13,655</u>
Total noncurrent assets	<u>133,765,596</u>

Total Assets	<u><u>\$147,156,700</u></u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 5,353,626
Checks issued against future deposits	62,287
Consumer deposits	168,329
Current maturities of long-term debt	<u>3,714,500</u>
Total current liabilities	<u>9,298,742</u>

Noncurrent liabilities:

Long term debt, less current maturities	36,074,500
Accumulated post employment obligation	7,014,652
Miscellaneous operating reserves	<u>1,790,672</u>
Total noncurrent liabilities	<u>44,879,824</u>

Total Liabilities	<u>54,178,566</u>
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NET ASSETS

Invested in capital assets, net of related debt	91,205,736
Unrestricted	<u>1,772,398</u>
Total net assets	<u>92,978,134</u>

Total Liabilities and Net Assets	<u><u>\$147,156,700</u></u>
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The accompanying notes are an integral part to these financial statements.

CITY OF JAMESTOWN, NEW YORK
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2005

	Business-type Activities Enterprise Fund Board of Public Utilities
Operating Revenues	<u>\$ 45,570,663</u>
Operating Expenses:	
Utility energy and operation	24,531,606
Sewage treatment and disposal	1,831,332
Contributions to City in Lieu of Taxes	3,275,153
Administrative, general and taxes	8,002,072
Supplies and contractual	143,685
Consumer accounts	1,154,686
Depreciation and amortization	<u>6,124,547</u>
Total Operating Expenses	<u>45,063,081</u>
Operating Income	<u>507,582</u>
Nonoperating Revenues (Expenses):	
Interest expense	(1,909,592)
Interest income	129,820
Other expense	<u>(82,426)</u>
Total Nonoperating Revenues (Expenses), net	<u>(1,862,198)</u>
Change in net assets	(1,354,616)
Net assets, beginning of year	94,332,679
Other adjustments	<u>71</u>
Net assets, end of year	<u><u>\$ 92,978,134</u></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, 2005

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

Cash Flows from Operating Activities:

Cash received from customers	\$ 43,456,574
Cash paid to suppliers and employees	(33,112,209)
Cash paid for taxes and payments in lieu of taxes	(5,273,828)
Interest paid	(1,942,491)
Interest received	129,820
Net cash provided by operating activities	<u>3,257,866</u>

Cash Flows from Investing Activities:

Capital expenditures	(4,962,814)
Renewal and replacement fund	(1,664)
Loan made to City of Jamestown	(22,725)
Principal received on loans - City of Jamestown	54,410
Net cash used by investing activities	<u>(4,932,793)</u>

Cash Flows from Financing Activities:

Proceeds from issuance of long-term debt	5,840,000
Principal payments on long-term debt	(3,475,047)
Net cash provided by financing activities	<u>2,364,953</u>

Net Increase in Cash and Cash Equivalents	690,026
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Cash and Cash Equivalents, beginning of year	<u>4,798,975</u>
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Cash and Cash Equivalents, end of year	<u><u>\$ 5,489,001</u></u>
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**Reconciliation of change in net assets to net cash
provided by operating activities:**

Change in net assets	\$ (1,354,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,773,432
Provision for losses on accounts receivable	(116,318)
Accumulated post-retirement benefit obligation	418,634
Change in miscellaneous operating reserves	(1,434,470)
Change in operating assets and liabilities:	
Accounts receivable	(806,051)
Inventories - materials and supplies	(108,992)
Other current and accrued assets	(874,049)
Checks issued against future deposits	(23,478)
Accounts payable and accrued liabilities	738,152
Consumer deposits	45,551
Miscellaneous adjustment to net assets	<u>71</u>

Net cash provided by operating activities	<u><u>\$ 3,257,866</u></u>
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The accompanying notes are an integral part of the financial statements.

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

DECEMBER 31, 2005

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 840,280	\$ 67,243	\$ 907,523
Due from other funds	<u>12,748</u>	<u>4,450</u>	<u>17,198</u>
Total assets	<u><u>\$ 853,028</u></u>	<u><u>\$ 71,693</u></u>	<u><u>\$ 924,721</u></u>
<u>LIABILITIES</u>			
Amounts held in custody for others	<u>853,028</u>	<u>-</u>	<u>853,028</u>
Total liabilities	<u><u>853,028</u></u>	<u><u>-</u></u>	<u><u>853,028</u></u>
<u>NET ASSETS</u>			
Net assets held in trust	<u>-</u>	<u>71,693</u>	<u>71,693</u>
Total net assets	<u><u>-</u></u>	<u><u>71,693</u></u>	<u><u>71,693</u></u>
Total liabilities and net assets	<u><u>\$ 853,028</u></u>	<u><u>\$ 71,693</u></u>	<u><u>\$ 924,721</u></u>

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

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Recreation Department Trust Funds</u>
<u>ADDITIONS</u>	
Miscellaneous revenues	\$ 33,772
Reimbursement of prior year expenditures	4,450
Interest income	<u>1,918</u>
Total additions	<u>40,140</u>
<u>DEDUCTIONS</u>	
Culture and recreation	<u>\$ 46,576</u>
Total deductions	<u>46,576</u>
CHANGE IN NET ASSETS	(6,436)
Net assets held in trust:	
Beginning of Year	<u>78,129</u>
End of Year	<u><u>\$ 71,693</u></u>

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Board of Public Utilities

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

Department of Development

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 inter-fund 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)

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

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

Due to and Due from Other Funds

Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Taxes Receivable

Real property taxes are levied annually on January 1, and are due January 31. All unpaid City taxes are returned to the County of Chautauqua, New York on or about June 1 each year for collection and enforcement. The County pays the City 45% of the returned City taxes immediately. The balance is paid in December, thereby assuring the City 100% of its tax collections. 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.

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Capital Assets (Cont'd)

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.

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Long-term Obligations

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

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

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.

Statement of Cash Flows

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 carries stop/loss insurance which covers claims which exceed the individual specific deductible of \$135,000. It is the City's policy to estimate the cost of claims outstanding at year end and record this amount as a liability.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 8th, 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	\$ 11,658,737
Less Fiduciary Funds cash and equivalents	<u>(907,523)</u>
Total cash and equivalents - Government-wide Statement of Net Assets	<u>\$ 10,751,214</u>
 Governmental activities	 \$ 5,262,213
Business-type activities	<u>5,489,001</u>
	<u>\$ 10,751,214</u>

The City's financial institution (bank) balances at December 31, 2005 were fully FDIC insured and/or collateralized.

NOTE 3 - CONSTITUTIONAL TAX MARGIN

The City's constitutional tax margin the fiscal year ended December 31, 2005 is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2000-2004)	<u>\$606,109,040</u>
 Tax limit - 2% of Five-year Average Full Valuation of Taxable Real Estate	 \$ 12,122,181
Statutory Additions:	
Debt Service for General Obligation Bonds	1,211,950
Debt Service for Revenue Producing Purposes	1,589,231
Debt service for Bond Anticipation Notes	156,000
Budgetary appropriations for capital expenditures	555,000
Revenue designated for debt service	<u>(70,000)</u>
Total taxing power	15,564,362
Total tax levy for 2005	<u>11,594,160</u>
 Constitutional tax margin	 <u>\$ 3,970,202</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,207,755	\$ -	\$ -	\$ 1,207,755
Construction in progress	<u>482,667</u>	<u>123,468</u>	<u>(606,135)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,690,422</u>	<u>123,468</u>	<u>(606,135)</u>	<u>1,207,755</u>
Capital assets being depreciated:				
Infrastructure	15,507,098	1,741,067	-	17,248,165
Buildings and structures	9,714,429	8,523,568	-	18,237,997
Equipment	6,594,786	398,274	(8,655)	6,984,405
Vehicles	<u>1,524,469</u>	<u>21,879</u>	<u>-</u>	<u>1,546,348</u>
Total capital assets being depreciated	<u>33,340,782</u>	<u>10,684,788</u>	<u>(8,655)</u>	<u>44,016,915</u>
Accumulated depreciation for:				
Infrastructure	(4,164,725)	(467,179)	-	(4,631,904)
Buildings and structures	(6,923,637)	(340,971)	-	(7,264,608)
Equipment	(3,689,504)	(577,749)	8,655	(4,258,598)
Vehicles	<u>(1,069,237)</u>	<u>(130,616)</u>	<u>-</u>	<u>(1,199,853)</u>
Total accumulated depreciation	<u>(15,847,103)</u>	<u>(1,516,515)</u>	<u>8,655</u>	<u>(17,354,963)</u>
Total capital assets being depreciated, net	<u>17,493,679</u>	<u>9,168,273</u>	<u>-</u>	<u>26,661,952</u>
Governmental activities capital assets, net	<u>\$19,184,101</u>	<u>\$ 9,291,741</u>	<u>\$ (606,135)</u>	<u>\$27,869,707</u>

Depreciation expense for the year ended December 31, 2005 was charged to the following:

Governmental activities:

General support	\$ 319,046
Public safety	313,462
Transportation	318,966
Culture and recreation	31,714
Home and Community	<u>533,327</u>
Total depreciation expense, governmental activities	<u>\$ 1,516,515</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (CONT'D)

Business-type activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,072,051	\$ -	\$ -	\$ 2,072,051
Construction in progress	<u>1,699,388</u>	<u>1,791,293</u>	<u>-</u>	<u>3,490,681</u>
Total capital assets not being depreciated	<u>3,771,439</u>	<u>1,791,293</u>	<u>-</u>	<u>5,562,732</u>
Capital assets being depreciated:				
Electric Division	140,631,442	2,005,271	(3,001,327)	139,635,386
Waste Water Division	26,199,356	270,397	-	26,469,753
Water Division	28,243,996	750,354	(25,539)	28,968,811
Solid Waste Division	854,038	13,027	-	867,065
District Heat Division	<u>8,152,735</u>	<u>132,472</u>	<u>-</u>	<u>8,285,207</u>
Total capital assets being depreciated	<u>204,081,567</u>	<u>3,171,521</u>	<u>(3,026,866)</u>	<u>204,226,222</u>
Accumulated depreciation for:				
Electric Division	(48,477,608)	(4,896,594)	3,254,006	(50,120,196)
Waste Water Division	(10,361,963)	(561,861)	-	(10,923,824)
Water Division	(12,455,074)	(931,742)	25,539	(13,361,277)
Solid Waste Division	(499,484)	(40,019)	-	(539,503)
District Heat Division	<u>(3,509,489)</u>	<u>(339,929)</u>	<u>-</u>	<u>(3,849,418)</u>
Total accumulated depreciation	<u>(75,303,618)</u>	<u>(6,770,145)</u>	<u>3,279,545</u>	<u>(78,794,218)</u>
Total capital assets being depreciated, net	<u>128,777,949</u>	<u>(3,598,624)</u>	<u>252,679</u>	<u>125,432,004</u>
Business-type activities capital assets, net	<u>\$132,549,388</u>	<u>\$ (1,807,331)</u>	<u>\$ 252,679</u>	<u>\$130,994,736</u>

Depreciation expense for the year ended December 31, 2005 was charged to the following:

Business-type activities:

Electric Division	\$ 4,896,594
Waste Water Division	561,861
Water Division	931,742
Solid Waste Division	40,019
District Heat Division	<u>339,929</u>
Total depreciation expense, business-type activities	<u>\$ 6,770,145</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, 2005 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 5,848,952	\$ -	\$ (878,952)	\$ 4,970,000	\$ 657,500
Notes and capital lease obligations:					
Note - Board of Public Utilities	1,168,299	-	(48,988)	1,119,311	51,180
Note - Board of Public Utilities	102,284	-	(3,536)	98,748	3,680
Note - Board of Public Utilities	-	22,725	(1,886)	20,839	1,964
NYS Police/Fire Retirement System	618,174	-	(49,148)	569,026	51,605
NYS Police/Fire Retirement System	-	401,174	-	401,174	31,895
NYS Employee Retirement System	42,014	-	(42,014)	-	-
Obligations under capital leases:					
Parking ramps	-	7,810,000	(59,363)	7,750,637	148,590
Equipment	72,505	69,611	(64,153)	77,963	38,218
	<u>2,003,276</u>	<u>8,303,510</u>	<u>(269,088)</u>	<u>10,037,698</u>	<u>327,132</u>
Other:					
Bond anticipation notes	8,250,000	1,085,000	(8,250,000)	1,085,000	1,085,000
Compensated absences	<u>1,467,915</u>	<u>140,508</u>	<u>-</u>	<u>1,608,423</u>	<u>160,842</u>
	<u>9,717,915</u>	<u>1,225,508</u>	<u>(8,250,000)</u>	<u>2,693,423</u>	<u>1,245,842</u>
Total Governmental activities	<u>\$17,570,143</u>	<u>\$ 9,529,018</u>	<u>\$ (9,398,040)</u>	<u>\$17,701,121</u>	<u>\$ 2,230,474</u>
Business-type Activities:					
General obligation bonds and notes payable	<u>\$37,424,047</u>	<u>\$ 5,840,000</u>	<u>\$ (3,475,047)</u>	<u>\$39,789,000</u>	<u>\$ 3,714,500</u>
Total Business-type activities	<u>\$37,424,047</u>	<u>\$ 5,840,000</u>	<u>\$ (3,475,047)</u>	<u>\$39,789,000</u>	<u>\$ 3,714,500</u>

Governmental Activities - Additional Debt Disclosures:

General Obligation Bonds

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Public Improvement	2005	6.80%	\$ 25,000	\$ -	\$ (25,000)	\$ -
Pension Systems	2005	7.75%	178,952	-	(178,952)	-
Public Improvement	2010	5.80%	2,000,000	-	(300,000)	1,700,000
Public Improvement	2015	7.00%	365,000	-	(65,000)	300,000
Public Improvement	2019	5.50%	1,660,000	-	(140,000)	1,520,000
Public Improvement	2020	6.00%	1,620,000	-	(170,000)	1,450,000
			<u>\$ 5,848,952</u>	<u>\$ -</u>	<u>\$ (878,952)</u>	<u>\$ 4,970,000</u>

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 Obligations

As of December 31, 2005, notes payable and obligations under capital leases were comprised of the following:

Notes Payable:

Note payable to City of Jamestown, NY Board of Public Utilities, payable \$7,902 per month including interest at 4.0% through December 2021.	\$ 1,119,311
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Note payable to City of Jamestown, NY Board of Public Utilities, payable \$630 per month including interest at 4.0% through June 2024.	98,748
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Note payable to City of Jamestown, NY Board of Public Utilities, payable \$230 per month including interest at 4.0% through December 2014.	20,839
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Note payable to New York State Police and Fire Retirement System, payable \$80,056 per year including interest at 5.0% through December 2013.	569,026
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Note payable to New York State Police and Fire Retirement System, payable \$51,954 per year including interest at 5.0% through December 2014.	401,174
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Obligations Under Capital Leases:

Capital lease obligation for parking ramps, payable \$50,376 per month including interest at 5.9% through February 2030. Secured by parking ramps.	7,750,637
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Capital lease obligation for equipment, payable \$1,579 per month including interest at 7.2% through October 2008. Secured by computer equipment.	51,405
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Capital lease obligation for equipment, payable \$3,761 per month including interest at 4.35% through May 2006. Secured by police vehicles.	18,602
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Capital lease obligation for equipment, payable \$221 per month without interest through December 2008. Secured by postage machine.	7,956
	<u>\$ 10,037,698</u>

Bond Anticipation Notes

As of December 31, 2005, the following bond anticipation notes are outstanding:

2.32% Bond Anticipation Note, Due December 27, 2006	\$ 750,000
2.94% Bond Anticipation Note, Due September 22, 2006	<u>335,000</u>
	<u>\$ 1,085,000</u>

During the year ended December 31, 2005, the City repaid a \$7,500,000 bond anticipation note with interest at 1.83% and a \$750,000 bond anticipation note with interest at 2.32%. Interest on the bond anticipation notes totaled \$158,452.

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONT'D)

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

Debt Service Requirements

The annual debt service requirements to maturity for general obligation bonds, notes payable, and capital lease obligations as of December 31, 2005 are as follows:

Year	General Obligation Bonds		Notes/Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 657,500	\$ 279,541	\$ 327,132	\$ 555,113	\$ 984,632	\$ 834,654
2007	682,500	241,535	325,578	538,550	1,008,078	780,085
2008	717,500	202,079	339,504	521,346	1,057,004	723,425
2009	692,500	161,237	338,182	503,662	1,030,682	664,899
2010	710,000	121,497	356,446	485,398	1,066,446	606,895
2011-2015	1,185,000	264,923	2,010,656	2,115,746	3,195,656	2,380,669
2016-2020	325,000	46,250	1,960,580	1,574,788	2,285,580	1,621,038
2021-2025	-	-	2,152,908	986,785	2,152,908	986,785
2026-2030	-	-	2,226,712	292,079	2,226,712	292,079
Totals	<u>\$ 4,970,000</u>	<u>\$ 1,317,062</u>	<u>\$10,037,698</u>	<u>\$ 7,573,467</u>	<u>\$15,007,698</u>	<u>\$ 8,890,529</u>

Business-type Activities - Additional Debt Disclosures:

Bonds and Notes Payable

Description	Maturity	Interest Rate	Beginning of Year	Additions	Retired	End of Year
Electric Improvement	2016	7.00%	\$ 7,035,000	\$ -	\$ (660,000)	\$ 6,375,000
Electric Improvement	2019	4.85-5.00%	24,675,000	-	(1,150,000)	23,525,000
Electric Improvement	2019	6.00-6.10%	895,000	-	(40,000)	855,000
Electric Improvement	2025	4.13-5.00%	-	5,000,000	-	5,000,000
1994 Pension System Bonds	2005	7.75%	39,899	-	(39,899)	-
District Heating Improvement	2006	7.50%	500,000	-	(250,000)	250,000
District Heating BAN	2006	2.58%	-	840,000	-	840,000
District Heating BAN	2005	1.09%	870,000	-	(870,000)	-
NYS Environmental Facilities	2012	4.25-6.65%	2,400,000	-	(280,000)	2,120,000
Sewer Improvement	2007	8.70%	285,000	-	(100,000)	185,000
Sewer Improvement	2013	7.00%	225,000	-	(25,000)	200,000
NYS Environmental Facilities	2012	5.70-6.50%	493,000	-	(54,000)	439,000
1994 Pension System Bonds	2005	7.75%	6,148	-	(6,148)	-
			<u>\$37,424,047</u>	<u>\$5,840,000</u>	<u>\$(3,475,047)</u>	<u>\$39,789,000</u>

Debt Service Requirements

The annual debt service requirements to maturity for business-type activities general obligation bonds and notes as of December 31, 2005 are as follows:

Year	Principal	Interest	Total
2006	\$ 3,714,500	\$ 2,088,081	\$ 5,802,581
2007	2,679,500	1,907,480	4,586,980
2008	2,638,500	1,759,044	4,397,544
2009	2,721,500	1,611,126	4,332,626
2010	2,804,000	1,457,545	4,261,545
2011-2015	13,801,000	4,924,980	18,725,980
2016-2020	10,180,000	1,583,878	11,763,878
2021-2025	1,250,000	179,687	1,429,687
Totals	<u>\$39,789,000</u>	<u>\$15,511,821</u>	<u>\$55,300,821</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONT'D)

Constitutional Debt Limit

As of December 31, 2005, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2001-2005)	<u>\$607,022,428</u>
Debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 42,491,570</u>
Indebtedness subject to debt limit:	
Governmental activities	(6,055,000)
Business-type activities	<u>(7,759,000)</u>
	<u>(13,814,000)</u>
 Net Debt Contracting Margin	 <u>\$ 28,677,570</u>
 Percentage of Debt Contracting Power Exhausted	 <u>32.51%</u>

NOTE 6 - PENSION PLANS AND POST-EMPLOYMENT BENEFITS

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.

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND POST-EMPLOYMENT BENEFITS (CONT'D)

Funding Policies

The Systems are non-contributory except for employees who joined the New York State and Employees Retirement System (ERS) after July 27, 1996, who are required to contribute 3% of their salary during their first ten years of employment. For the New York State and Local Employees Retirement System, the State Comptroller shall certify annually the rates expressed as proportions of members payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
	<u>NYS and Local</u>	<u>NYS and Local</u>	<u>NYS and Local</u>
	<u>Employees</u>	<u>Police and Fire</u>	<u>Employees</u>
2005	\$ 708,913	\$1,055,980	\$ 904,008
2004	\$ 708,778	\$1,244,339	\$ 962,872
2003	\$ 565,545	\$ 316,155	\$ 410,035

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

Retirement Incentive Program

The State Legislature authorized local governments to make available retirement incentive programs. For the year ended December 31, 2005, charges for the retirement incentive program totaled \$45,814 (including interest of \$3,800) were accounted for in the following activities:

Governmental Activities	<u>\$ 45,814</u>
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Post-Employment Benefits

In addition to pension benefits described above, 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.

For the year ended December 31, 2005 post-employment health care expense (net of participant contributions) totaled \$1,976,399. For the year ended December 31, 2005, there were 333 participants enrolled in the program. The City recognizes post-employment health care costs as eligible retiree claims are paid.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS AND POST-EMPLOYMENT BENEFITS (CONT'D)

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.

NOTE 7 - INTERFUND ACTIVITY OF GOVERNMENTAL FUNDS

The governmental funds include the following interfund activity as of and for the year ended December 31, 2004 follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ 635,354	\$ 974,526	\$ 170,000	\$ -
Capital Projects Fund	502,762	8,909	-	170,000
Trust and Agency Fund	12,748	-	-	-
Recreation Department Trust	4,450	-	-	-
Special Revenue Fund:				
Special Revenue Fund	471,764	39,758	-	-
Department of Development	-	603,885	-	-
	<u>\$1,627,078</u>	<u>\$1,627,078</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>

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

NOTE 8 - RESERVED FUND EQUITY

Reservations of equity reflect amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated by the account title on the face of the balance sheet.

NOTE 9 - 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 10 - GENERAL FUND BUDGET AMENDMENTS

Original budget	\$26,767,660
Amendments - General Government Support	50,684
Public Safety	329,600
Streets	192,700
Culture and Recreation	82,537
Capital Outlays	84,000
Employee Benefits	91,605
Debt Service - Principal	1,886
Debt Service - Interest	<u>3,326</u>
Revised budget	<u>\$27,603,998</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - JAMESTOWN COMMUNITY COLLEGE

Receivable - Land Sale

During 2005, the City received the final \$215,000 installment payment from the College resulting from the sale of property to the College in 1996. Pursuant to the terms of the agreement, the City received annual installments of \$215,000 through 2005. The City's Governmental Funds, recognized the proceeds as revenue in the year received.

NOTE 12 - 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.

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities)

The Board of Public Utilities was established under Section 122 of the Jamestown City Code to supply the Jamestown, New York area, as well as other municipalities, with electricity, water, sewer, sanitation and district heating services.

General Disclosures

I. Post-Employment Medical Benefits

Description

The Board of Public Utilities provides substantially all of its employees with health care benefits from retirement until age 65. Post-employment medical benefits are provided to retirees and retirees' eligible dependents. Generally, coverage is provided for the employee and dependents from retirement through age 65. The accounting for these post-employment benefits is addressed in Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Post-retirement Benefits Other Than Pensions." This standard requires the accrual method of accounting for post-employment health care and life insurance benefits based upon actuarially determined costs to be recognized over the period the employees provide service. These benefits had previously been recognized as expenses when paid.

Net periodic benefit cost for 2005 included the following components:

Service cost - benefits attributed to service during the period	\$ 245,434
Interest cost on accumulated post-employment benefit obligation	454,443
Amortization of unrecognized actuarial gain	<u>(34,139)</u>
Total periodic post-employment benefit cost	<u>\$ 665,738</u>

The Accumulated post employment obligation is included as a non-current liability in the Statement of Net Assets, and was computed as follows:

Accumulated post employment obligation:

Balance, beginning of year	\$6,582,315
Service costs - benefits earned	245,434
Interest costs	454,443
Actuarial gain	(34,139)
Benefit payments	<u>(233,401)</u>
Balance, end of year	<u>\$7,014,652</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

General Disclosures (Cont'd)

I. Post-Employment Medical Benefits (Cont'd)

The accumulated post-employment benefit obligation was determined using a 7.0% discount rate. Health care cost were assumed to increase by 14% per year through 2005, then gradually decreasing to 5% per year by 2015. The health care trend rate assumption has a significant effect on the amounts reported. For example, a one percentage point increase in the health care trend rate would increase the accumulated post-employment benefit obligation and net periodic post retirement cost at December 31, 2004 by 10.7% and 25.8%, respectively.

II. Fair Value of Financial Instruments

Cash and cash equivalents

The carrying amount of cash and cash equivalents maintained by the City's business-type activities approximates fair value because of the short maturity of these financial instruments.

Note Receivable

The carrying amount of the note receivable maintained by the City's business-type activities approximates fair value because the interest rate charged approximates that available from other permissible investments.

Long-term Debt

The carrying amount of the long-term debt of the City's business-type activities approximates fair value because the interest rates currently in effect approximate those currently available through the City of Jamestown.

III. Supplemental Disclosure of Cash Flow Information

Cash payments for interest during the year	<u>\$1,942,491</u>
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CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

Municipal Electric System Disclosures

I. Major Customer

The Municipal Electric System sells excess energy off-system, commonly referred to as inadvertent sales, to a major distributor of electricity, NYISO. Revenues received by the Electric System from this distributor amounted to approximately 16.9% and 25.2% of Electric System revenue for the years ended December 31, 2005 and 2004, respectively.

II. Miscellaneous Operating Reserves

During 2002, the Board of Public Utilities Municipal Electric System settled a long running dispute with the New York State Power Authority (PASNY) concerning overcharges for the cost of power purchased from PASNY since 1994. In addition to this settlement, the BPU negotiated an agreement with PASNY and Niagara Mohawk allowing early termination of an electric transmission service contract. Subsequently, the BPU petitioned the Public Service Commission with a plan for payment of the termination fee and return of net residual refund to customers.

Under the terms of the plan, the BPU was permitted to pay Niagara Mohawk \$2,043,343 out of the settlement to terminate the transmission service contract. This action enabled the BPU to switch to the New York State Independent System Operator's transmission tariff and is expected to generate savings to BPU customers. An additional \$300,000 was used to reimburse the BPU for the costs incurred in achieving the settlement.

The remainder of the settlement was set aside in various funds to provide future benefit to BPU customers. Approximately \$3.4 million was placed into a rate stabilization fund to postpone rate increases. Plans call \$100,000 of this amount to be amortized into revenue on a monthly basis until the fund has been depleted. This occurred in mid-2005.

Another \$600,000 was placed into an Economic Development Fund. The purpose of this fund is to provide funding to improve infrastructure and build line extensions for new loads. In addition to this fund, the PSC allowed the BPU to set aside \$825,000 to fund two specific capital projects.

During 2003, the BPU added an additional \$1,605,977 to miscellaneous operating reserves as a result of final adjustments to the Power Authority and Niagara Mohawk settlements. It was determined that \$759,253 was determined to be over collected from customers for years prior to 2003 and has been included as a miscellaneous adjustment to retained earnings. Because these funds were over collected from customers in prior years, the BPU is accruing interest on the amounts not refunded at 3.25% per annum.

During 2004, the Electric System discovered that it had under collected revenues from customers for 2003 and the first several months of 2004. These under collections are to be recovered from customers approximately as follows: \$492,000 in October 2004 and \$74,000 per month thereafter through September 2005.

Included in the rate structure put into place as of November 1, 2005 was an allowance to fund post-retirement benefits earned. Subsequent to the 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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

II. Miscellaneous Operating Reserves (Cont'd)

At December 31, 2005, miscellaneous operating reserves were comprised of the following:

Rate Stabilization Fund	\$ 1,067,955
Economic Development Fund	681,730
Post-retirement benefit over collection	<u>40,987</u>
Total Miscellaneous Operating Reserves	<u>\$ 1,790,672</u>

III. 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.

Early in 2004, fuel oil leaked from a storage tank contamination soil adjacent to the tank. The spill was immediately recognized and efforts have been undertaken to remedy it. Management anticipates no future costs will be incurred to remedy the spill.

IV. Derivative and Hedge Activity Accounting

Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activity* became effective for the System on January 1, 2001. This pronouncement requires that all derivative financial instruments be reported on the balance sheet at fair value.

All derivative instruments held by the System are designed as hedges, have high correlation with the underlying exposure and are highly effective in offsetting underlying price movements. Accordingly, gains and losses arising from changes in derivative fair values are deferred until the underlying transaction occurs. These derivative positions are settled either when the underlying transaction occurs or is no longer expected to occur, with any resultant gain or loss recognized in the statement of operations.

The effectiveness of the hedge is measured by an historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in the value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains and losses immediately recorded as income or expense. To date, high correlation has been achieved.

V. Derivative Financial Instruments and Hedging Activities

The Municipal Electric System's activities expose it to a variety of market risks, which are continuously monitored and managed by the System's management as an integral part of its operations. To hedge the market risk and eliminate volatility in the prices for natural gas, the System uses derivative instruments in the form of futures and options contracts. At December 31, 2005, the System had commitments to purchase 20,000 Dth of natural gas at a total cost of \$238,200 on contracts expiring at various dates through February 2006. There were no commitments open at December 31, 2004. During 2005, the System sold 40,000 Dth of natural gas not used in operations, recognizing a gain of approximately \$28,800. There were no such sales in 2004.

CITY OF JAMESTOWN, NEW YORK

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Real property taxes	\$11,594,160	\$11,594,160	\$11,600,259	\$ 6,099
Real property tax items	221,000	221,000	252,859	31,859
Non-property tax items	5,512,500	5,512,500	5,672,517	160,017
Departmental income	787,500	806,337	799,527	(6,810)
Intergovernmental charges	100,000	100,000	106,846	6,846
Use of money and property	115,000	136,711	178,462	41,751
Licenses and permits	106,500	106,500	143,762	37,262
Fines and forfeitures	180,000	180,000	164,365	(15,635)
Sale of property/compensation for loss	215,000	215,000	215,000	-
Other unclassified revenue	25,000	25,000	68,725	43,725
Board of Public Utilities (PILOT)	3,264,000	3,264,000	3,275,153	11,153
Refund of prior year expenditures	50,000	50,000	153,393	103,393
State aid	<u>4,031,000</u>	<u>4,425,616</u>	<u>4,486,009</u>	<u>60,393</u>
Total revenues	<u>26,201,660</u>	<u>26,636,824</u>	<u>27,116,877</u>	<u>480,053</u>
Expenditures:				
General government support	\$ 3,219,751	\$ 3,270,435	\$ 3,312,064	\$ (41,629)
Public safety	9,300,855	9,630,455	9,427,296	203,159
Streets	2,114,696	2,307,396	2,495,272	(187,876)
Culture and recreation	1,786,165	1,868,702	1,859,908	8,794
Home and community services	681,850	681,850	681,593	257
Capital outlays	555,000	639,000	639,000	-
Employee benefits	7,314,000	7,405,605	7,395,808	9,797
Debt service-principal	1,009,477	1,011,363	992,726	18,637
Debt service-interest	<u>785,866</u>	<u>789,192</u>	<u>734,707</u>	<u>54,485</u>
Total expenditures	<u>26,767,660</u>	<u>27,603,998</u>	<u>27,538,374</u>	<u>65,624</u>
Excess (deficiency) of revenues over expenditures	<u>(566,000)</u>	<u>(967,174)</u>	<u>(421,497)</u>	<u>545,677</u>
Other Sources:				
Proceeds from issuance of debt	-	401,174	401,174	-
Transfers in	<u>245,000</u>	<u>245,000</u>	<u>170,000</u>	<u>(75,000)</u>
Total other sources	<u>245,000</u>	<u>646,174</u>	<u>571,174</u>	<u>(75,000)</u>
Excess (deficiency) of revenues and other sources over expenditures	(321,000)	(321,000)	149,677	470,677
Fund balance, beginning of year	<u>1,519,424</u>	<u>1,519,424</u>	<u>1,519,424</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,198,424</u>	<u>\$ 1,198,424</u>	<u>\$ 1,669,101</u>	<u>\$ 470,677</u>

See accompanying notes to financial statements.

CITY OF JAMESTOWN, NEW YORK

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 16,355	\$ 1,904,719	\$ 179,388	\$ 2,100,462
Accounts receivable	-	8,780	-	8,780
Deposit held in custody	-	603,885	-	603,885
Due from other funds	471,764	-	-	471,764
Due from other governments	50,390	16,242	-	66,632
Loans receivable, (less allowance for loss of \$732,118)	-	3,107,333	-	3,107,333
Real property held for sale	<u>-</u>	<u>227,643</u>	<u>-</u>	<u>227,643</u>
 Total assets	 <u>\$ 538,509</u>	 <u>\$ 5,868,602</u>	 <u>\$ 179,388</u>	 <u>\$ 6,586,499</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Account payable	\$ -	\$ 42,167	\$ -	\$ 42,167
Amounts held in escrow	-	1,791	-	1,791
Due to other funds	39,758	603,885	-	643,643
Deferred revenue	<u>498,751</u>	<u>126,732</u>	<u>-</u>	<u>625,483</u>
Total liabilities	<u>538,509</u>	<u>774,575</u>	<u>-</u>	<u>1,313,084</u>
 <u>Fund Balance:</u>				
Reserved for:				
Economic development	-	5,094,027	-	5,094,027
Risk Retention	<u>-</u>	<u>-</u>	<u>179,388</u>	<u>179,388</u>
Total fund balance	<u>-</u>	<u>5,094,027</u>	<u>179,388</u>	<u>5,273,415</u>
 Total liabilities and fund balance	 <u>\$ 538,509</u>	 <u>\$ 5,868,602</u>	 <u>\$ 179,388</u>	 <u>\$ 6,586,499</u>

See Report of Independent Auditor.

CITY OF JAMESTOWN, NEW YORK

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Revenues:				
Departmental income	\$ -	\$ 581,595	\$ -	\$ 581,595
Use of money and property	461	195,506	5,070	201,037
Other revenue	104,599	20,174	-	124,773
Interfund revenues	9,938	258,500	-	268,438
State aid	324,316	-	-	324,316
Federal program income	-	57,940	-	57,940
Federal aid	<u>335,762</u>	<u>2,196,436</u>	<u>-</u>	<u>2,532,198</u>
Total revenues	<u>775,076</u>	<u>3,310,151</u>	<u>5,070</u>	<u>4,090,297</u>
Expenditures:				
General government support	-	929,876	-	929,876
Home and community services	775,076	2,254,376	-	3,029,452
Economic development	<u>-</u>	<u>306,476</u>	<u>-</u>	<u>306,476</u>
Total expenditures	<u>775,076</u>	<u>3,490,728</u>	<u>-</u>	<u>4,265,804</u>
Excess (deficiency) of revenues over expenditures	-	(180,577)	5,070	(175,507)
Fund balance, beginning of year	<u>-</u>	<u>5,274,604</u>	<u>174,318</u>	<u>5,448,922</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,094,027</u>	<u>\$ 179,388</u>	<u>\$ 5,273,415</u>

See Report of Independent Auditor.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005**

<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	\$1,786,859
Home Investment Partnership Program (HOME)	14.239	<u>431,461</u>
Total U.S. Department of Housing and Urban Development		<u>\$2,218,320</u>
<u>Appalachian Regional Commission</u>		
Direct Program:		
Appalachian Regional Commission Grant	23.002	<u>\$ 36,056</u>
Total Appalachian Regional Commission		<u>\$ 36,056</u>
<u>U.S. Department of Justice</u>		
Direct Programs:		
Weed & Seed Program	16.595	\$ 161,606
Secure Our Schools Act	16.710	39,971
Cops More Grant	16.710	22,168
Edward Byrne Justice Assistance Grant	16.738	15,848
Local Law Enforcement Block Grant	16.592	<u>7,497</u>
Total U.S. Department of Justice		<u>\$ 247,090</u>
<u>Federal Emergency Management Agency</u>		
Direct Program:		
Assistance to Firefighters Grant Program	83.554	<u>\$ 88,672</u>
Total Federal Emergency Management Agency		<u>\$ 88,672</u>
Total Federal Expenditures		<u>\$2,590,138</u>

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2005**

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

Reportable condition 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

Reportable condition 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

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, 2005**

There were no audit findings noted for the year ended December 31, 2004.

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

To the City Council
City of Jamestown, New York

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jamestown, New York, as of and for the year ended December 31, 2005, which collectively comprise the City of Jamestown, New York's basic financial statements and have issued my report thereon dated July 31, 2006. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the City of Jamestown, New York's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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 grants, 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 these tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted other matters involving the internal control over financial reporting that I have reported to management of the City of Jamestown, New York, in a separate letter dated July 31, 2006.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.

July 31, 2006

**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the City Council
City of Jamestown, New York

Compliance

I have audited the compliance of the City of Jamestown, New York, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. City of Jamestown, New York's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jamestown, New York's management. My responsibility is to express an opinion on the City of Jamestown, New York's compliance based on my audit.

I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Jamestown, New York's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that the audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Jamestown, New York's compliance with those requirements.

In my opinion, City of Jamestown, New York, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of City of Jamestown, New York, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing the audit, I considered the City of Jamestown, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

 CPA P.C.

JOHN S. TRUSSALO, CPA, P.C.
July 31, 2006