

Financial Statements

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

YEAR ENDED DECEMBER 31, 2010

CITY OF JAMESTOWN, NEW YORK
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
<u>Basic Financial Statements:</u>	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	22
Notes to Financial Statements	23-44
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule - General Fund	45
Schedule of Funding Progress for OPEB Obligations	46
<u>Other Supplementary Information:</u>	
Combining Balance Sheet - Special Revenue Funds	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Special Revenue Funds	48
<u>Federal Financial Awards:</u>	
Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Audit Findings	51
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	52
Report on Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53

JOHN S. TRUSSALO

— Certified Public Accountant, P.C. —

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

Independent Auditor's Report

To the City Council
City of Jamestown, New York

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, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jamestown, New York's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Board of Public Utilities which comprises 100% of the assets, net assets, revenues and expenses of the City's Business-type activities. Those financial statements were audited by other auditors whose reports thereon were furnished to me, and my opinion, insofar as it relates to the amounts included for the Board of Public Utilities, is based solely on the reports of the other auditors.

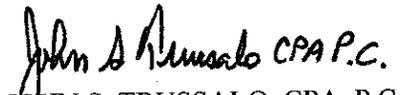
I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report of other auditors, 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, 2010 and the respective changes in financial position, and, cash flows, where applicable, 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 June 24, 2011, on my consideration of the City of Jamestown, New York's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 45, and the schedule of funding progress for OPEB obligations on page 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Jamestown, New York's basic financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
June 24, 2011

CITY OF JAMESTOWN, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2010

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, 2010. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The net assets of the City's governmental activities included in the Government-wide financial statements totaled \$19,456,387 at December 31, 2010 compared to \$21,962,087 at December 31, 2009, a decrease of \$2,505,700 (11%). Revenues from governmental activities totaled \$38,933,352 for 2010 compared to \$34,806,530 for 2009. Expenditures for governmental activities totaled \$41,439,052 for 2010 compared to \$34,858,751 for 2009.
- The fund balance of the City's General Fund included in the Fund financial statements increased \$334,539 (11%) to \$3,439,116 as of December 31, 2010 compared to a fund balance of \$3,104,577 as of December 31, 2009.

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 \$130,624,475 as of December 31, 2010 and \$126,879,565 as of December 31, 2009, an increase of \$3,744,910. 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, 2010 and 2009 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>						
Current and other assets	\$13,188,635	\$13,764,684	\$ 29,766,489	\$ 25,521,855	\$ 42,955,124	\$ 39,286,539
Capital assets	<u>36,691,576</u>	<u>38,518,582</u>	<u>125,852,702</u>	<u>123,618,193</u>	<u>162,544,278</u>	<u>162,136,775</u>
Total assets	<u>\$49,880,211</u>	<u>\$52,283,266</u>	<u>\$155,619,191</u>	<u>\$149,140,048</u>	<u>\$205,499,402</u>	<u>\$201,423,314</u>
<u>Liabilities</u>						
Long-term debt	\$19,822,804	\$21,527,752	29,551,000	29,515,000	49,373,804	51,042,752
Net OPEB obligation	7,479,833	4,913,813	9,172,635	9,162,351	16,652,468	14,076,164
Other liabilities	<u>3,121,187</u>	<u>3,879,614</u>	<u>5,727,468</u>	<u>5,545,219</u>	<u>8,848,655</u>	<u>9,424,833</u>
Total liabilities	<u>30,423,824</u>	<u>30,321,179</u>	<u>44,451,103</u>	<u>44,222,570</u>	<u>74,874,927</u>	<u>74,543,749</u>
<u>Net Assets</u>						
Investment in capital assets, net of related debt	20,088,575	20,947,942	95,449,712	92,853,774	115,538,287	113,801,716
Restricted	7,150,486	6,576,683	4,538,601	5,805,841	11,689,087	12,382,524
Unrestricted	<u>(7,782,674)</u>	<u>(5,562,538)</u>	<u>11,179,775</u>	<u>6,257,863</u>	<u>3,397,101</u>	<u>695,325</u>
Total net assets	<u>19,456,387</u>	<u>21,962,087</u>	<u>111,168,088</u>	<u>104,917,478</u>	<u>130,624,475</u>	<u>126,879,565</u>
Total Liabilities and Net Assets	<u>\$49,880,211</u>	<u>\$52,283,266</u>	<u>\$155,619,191</u>	<u>\$149,140,048</u>	<u>\$205,499,402</u>	<u>\$201,423,314</u>

Net Asset Analysis - Overall

Net assets totaled \$130,624,475 as of December 31, 2010 of which \$115,538,287 (88%) represents the City's investment in capital assets, net of related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Asset Analysis - Governmental Activities

The City's net assets from governmental activities decreased \$2,505,700 (11%) to \$19,456,387. Investment in capital assets, net of related debt decreased \$859,367 (4%) to \$20,088,575. Restricted net assets increased \$573,803 (9%) to \$7,150,486. Unrestricted net assets decreased \$2,220,136 (40%) to a deficit of \$7,782,674.

Net Asset Analysis - Business-type Activities

The City's net assets from business-type activities increased \$6,250,610 (6%) to \$111,168,088. Investment in capital assets, net of related debt increased \$2,595,938 (3%) to \$95,449,712. Restricted net assets decreased \$1,267,240 (22%) to \$4,538,601. Unrestricted net assets increased \$4,921,912 (79%) to \$11,179,775.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Analysis of Changes in Net Assets

The change in the City's net assets for governmental activities and business-type activities for the years ended December 31, 2010 and 2009 is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,909,229	\$ 1,992,128	\$ 50,518,473	\$ 48,431,599	\$ 52,427,702	\$ 50,423,727
Operating grant/contributions	7,004,539	2,712,743	-	-	7,004,539	2,712,743
Capital grants/contributions	877,575	1,888,820	2,427,250	-	3,304,825	1,888,820
General revenues:						
Real property taxes	13,939,270	12,919,943	-	-	13,939,270	12,919,943
Sales tax	5,426,892	5,252,766	-	-	5,426,892	5,252,766
Board of Public Utilities (PILOT)	3,511,366	3,540,706	-	-	3,511,366	3,540,706
Investment earnings	173,353	205,283	145,630	207,717	318,983	413,000
State Aid	5,149,180	5,503,951	-	-	5,149,180	5,503,951
Other	941,948	790,190	67,052	134,493	1,009,000	924,683
Total revenues	<u>38,933,352</u>	<u>34,806,530</u>	<u>53,158,405</u>	<u>48,773,809</u>	<u>92,091,757</u>	<u>83,580,339</u>
Expenses:						
General government support	5,355,844	4,797,379	-	-	5,355,844	4,797,379
Public safety	10,699,784	10,542,078	-	-	10,699,784	10,542,078
Public improvements/projects	139,160	86,627	-	-	139,160	86,627
Streets	3,102,706	3,035,967	-	-	3,102,706	3,035,967
Culture and recreation	1,953,915	1,917,336	-	-	1,953,915	1,917,336
Home and community/development	9,274,616	3,797,814	-	-	9,274,616	3,797,814
Employee benefits	10,183,656	9,835,020	-	-	10,183,656	9,835,020
Debt service	729,371	846,530	1,386,281	1,432,173	2,115,652	2,278,703
Utility operations	-	-	45,521,514	43,852,407	45,521,514	43,852,407
Total expenses	<u>41,439,052</u>	<u>34,858,751</u>	<u>46,907,795</u>	<u>45,284,580</u>	<u>88,346,847</u>	<u>80,143,331</u>
Change in net assets	(2,505,700)	(52,221)	6,250,610	3,489,229	3,744,910	3,437,008
Net assets, beginning of year	<u>21,962,087</u>	<u>22,014,308</u>	<u>104,917,478</u>	<u>101,428,249</u>	<u>126,879,565</u>	<u>123,442,557</u>
Net assets, end of year	<u>\$19,456,387</u>	<u>\$21,962,087</u>	<u>\$111,168,088</u>	<u>\$104,917,478</u>	<u>\$130,624,475</u>	<u>\$126,879,565</u>

Governmental Activities

Revenues from the City's governmental activities totaled \$38,933,352 for 2010 compared to \$34,806,530 for 2009. Revenues for 2010 were comprised of the following: Property tax revenue (36%), State aid revenue (13%), Sales tax revenue (14%), Operating and Capital Grants and Contributions (20%), Board of Public Utilities payments in lieu of tax revenue (9%), Charges for services (5%), Other revenue (3%).

Expenditures of governmental activities totaled \$41,439,052 for 2010 compared to \$34,858,751 for 2009. The City's programs for governmental activities include General Government, Fire, Police, Public Works, Community Development, Parks and Recreation, and Debt Service for Interest.

Business-type Activities

The business-type activities include Electric, Water, Waste Water, Sanitation, and District Heat services. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users totaled \$50,518,473 for 2010 and \$48,431,599 for 2009. Investment earnings totaled \$145,630 for 2010 and \$207,717 for 2009. Capital grants totaled \$2,427,250 for 2010 and \$0 for 2009. Other revenue totaled \$67,052 for 2010 and \$134,493 for 2009. The cost of all Proprietary (Business-type) activities totaled \$46,907,795 for 2010 and \$45,284,580 for 2009.

LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities included in the City's governmental-activities totaled \$19,822,804 as of December 31, 2010 and \$21,527,752 as of December 31, 2009; a net decrease of \$1,704,948. As of December 31, 2010, long-term liabilities were comprised of the following: General Obligation Bonds \$6,215,000; Notes payable to Board of Public Utilities \$931,734; Note payable to New York Power Authority (via Board of Public Utilities) \$1,664,638; Equipment notes payable \$896,629; Notes payable to NYS Police and Fire Retirement System \$508,806; Obligations under capital lease \$6,895,000; Compensated absences \$2,710,997.

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

Information Regarding Long Term Liabilities for Governmental Activities

- The liability for compensated absences increased \$60,790 to \$2,710,997 as of December 31, 2010.
- As of December 31, 2010, the City maintains a \$6,895,000 capital lease obligation for the Cherry Street and Second Street parking ramps.
- During 2010, the City issued a \$4,665,000 general obligation bond, payable through 2025 with interest at rates ranging between 4.0% and 4.25%. During 2010, the City repaid a \$4,850,000 bond anticipation note.

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

Business-type Activities

Long-term liabilities included in the City's business-type activities totaled \$29,551,000 as of December 31, 2010 and \$29,515,000 as of December 31, 2009; an increase of \$36,000.

- During 2010, the Board of Public Utilities District Heating Division issued a \$3,000,000 general obligation bond, payable through 2030 with interest at rates ranging between 4.0% and 4.25%.

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

Constitutional Debt Limit

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based upon 7% of the average of the total value of real property for the past five years. At December 31, 2010 the City's general obligation debt, including statutory exclusions, was at 21.31% of the legal limit compared to 17.88% of the legal limit at December 31, 2009.

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

CAPITAL ASSETS

Governmental Activities

As of December 31, 2010, the City's governmental-activities maintained \$36,691,576 in capital assets (Cost \$64,112,624 less accumulated depreciation of \$27,421,048) compared to \$38,518,582 as of December 31, 2009. Capital additions for 2010 totaled \$3,939,047 and were for the following: infrastructure (including roads, sidewalks, and storm sewers) \$1,493,123; buildings and structures \$2,108,270; equipment \$228,298; vehicles \$109,356. Construction in progress decreased \$3,445,773 resulting from the following: \$1,572,086 of capitalized costs for the Gateway Train Station Project contributed to the Downtown Jamestown Revitalization LLC and \$1,873,687 of Spring Street parking ramp renovations placed in service during 2010.

Depreciation expense totaled \$2,309,916 for the year ended December 31, 2010 and \$2,224,736 for the year ended December 31, 2009.

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

Business-type Activities

As of December 31, 2010, the City's business-type activities maintained \$125,852,702 in capital assets (Cost \$236,482,723 less accumulated depreciation of \$110,630,021) compared to \$123,618,193 as of December 31, 2009. Capital additions for 2010 totaled \$16,014,960 and were for the following: Construction in progress \$11,628,680; Electric Division \$1,607,694; Waste Water Division \$759,950; Water Division \$1,556,812; Solid Waste Division \$448,731; District Heat Division \$13,093.

Depreciation expense totaled \$6,762,018 for the year ended December 31, 2010 and \$7,061,985 for the year ended December 31, 2009.

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

THE CITY'S GOVERNMENTAL FUNDS

The City's governmental funds reported a combined fund balance of \$9,171,121 as of December 31, 2010 and \$8,980,888 as of December 31, 2009; an increase of \$190,233. The schedule below indicates the fund balances as of December 31, 2010 and 2009, and the net increase/decrease for the year.

	Fund Balance <u>2010</u>	Fund Balance <u>2009</u>	Increase <u>(Decrease)</u>
General fund	\$ 3,439,116	\$ 3,104,577	\$ 334,539
Capital fund	576,431	696,604	(120,173)
Special revenue fund	<u>5,155,574</u>	<u>5,179,707</u>	<u>(24,133)</u>
Total	<u>\$ 9,171,121</u>	<u>\$ 8,980,888</u>	<u>\$ 190,233</u>

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

General Fund

The change in the City's General fund balance for the year ended December 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
<i>Revenues and Other Sources:</i>		
Real property taxes	\$13,939,270	\$12,921,361
Real property tax items	214,807	209,593
Non-property tax items	6,103,027	5,815,350
Departmental income	741,855	823,891
Intergovernmental charges	188,097	148,932
State aid	6,056,339	6,558,483
Board of Public Utilities (PILOT)	3,511,366	3,540,706
Use of money and property	70,249	53,974
Other revenue	494,787	509,392
Interfund transfers in	25,000	75,000
Total revenues	<u>31,344,797</u>	<u>30,656,682</u>
<i>Expenditures:</i>		
General government support	4,015,904	3,403,198
Public safety	9,975,766	10,277,139
Streets	3,426,330	3,374,071
Culture and recreation	1,957,539	1,905,356
Home and community services	770,372	762,463
Capital outlays	844,844	976,734
Employee benefits	7,688,856	7,209,003
Debt service - principal	1,664,243	1,613,952
Debt service - interest	666,404	778,730
	<u>31,010,258</u>	<u>30,300,646</u>
Excess of revenues over expenditures	334,539	356,036
Fund balance, beginning of year	<u>3,104,577</u>	<u>2,748,541</u>
Fund balance, end of year	<u>\$ 3,439,116</u>	<u>\$ 3,104,577</u>

General Fund revenues totaled \$31,344,797 for 2010 and \$30,656,682 for 2009. Increased revenues were noted in the following: Property tax revenue \$1,017,909; Non-property tax items \$287,677. Decreased revenue were noted in the following: Departmental income \$82,036; Board of Public Utilities (PILOT) \$29,340; Other Revenue \$14,605; Interfund transfers \$50,000.

Expenditures totaled \$31,010,258 for 2010 and \$30,300,646 for 2009, an increase of \$709,612.

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 2010, the City appropriated \$350,000 of its 2009 fund balance. During 2010, actual general fund revenues and other sources were greater than the final revenue budget by \$275,940 while expenditures were \$408,599 less than the final expenditure budget. As a result, the City's fund balance as of December 31, 2010 was \$684,539 higher than budgeted. The 2010 General Fund final expenditure budget totaled \$31,418,857 compared to a 2009 final expenditure budget of \$31,220,822. The 2010 final expenditure budget included a net supplementary increase of \$1,036 from the original approved budget. The net supplementary increase is detailed in Note 10 to the basic financial statements. Other appropriations required changes in functional categories due to spending patterns.

A detailed budgetary comparison to actual is provided in on page 45.

THE CITY'S GOVERNMENTAL FUNDS (Cont'd)

Capital Projects Fund

The change in the City's Capital Projects fund balance for the years ended December 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
<i>Revenues and Other Sources:</i>		
Proceeds from issuance of debt	\$ 4,665,000	\$ 4,850,000
General fund appropriations	844,844	976,734
Sale of property	45,271	28,571
Use of money and property	1,916	16,696
Other revenue	26,043	21,169
Total revenues	<u>5,583,074</u>	<u>5,893,170</u>
<i>Expenditures and Other Uses:</i>		
Debt service - principal	4,665,000	4,350,000
Capital outlay	1,013,247	3,983,923
Home and community	-	15,000
Interfund transfer to General Fund	25,000	75,000
	<u>5,703,247</u>	<u>8,423,923</u>
Deficiency of revenues over expenditures	(120,173)	(2,530,753)
Fund balance, beginning of year	<u>696,604</u>	<u>3,227,357</u>
Fund balance, end of year	<u>\$ 576,431</u>	<u>\$ 696,604</u>

During the year ended December 31, 2010, Capital fund revenues decreased \$310,096. Expenditures decreased \$2,720,676 primarily due to the following: Decrease in capital outlay of \$2,970,676; Decrease in Interfund transfer \$50,000; Decrease in Home and Community \$15,000; Increase in debt service principal \$315,000.

For the year ended December 31, 2010, capital expenditures totaled \$1,013,247 and were comprised of the following:

Street resurfacing, construction, curb, gutter, sidewalks	\$ 515,313
Equipment and vehicles	153,538
Storm Sewers and Sidewalks	150,000
Building improvements	57,100
Other	137,296
	<u>\$ 1,013,247</u>

Special Revenue Fund

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

The change in the City's Special Revenue fund balance for the years ended December 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
<i>Revenues and Other Sources:</i>		
Departmental income	\$ 460,832	\$ 490,341
Use of money and property	100,794	133,797
Interfund revenues	324,250	330,000
Federal aid	4,513,703	3,008,477
State aid	2,115,492	416,483
Other revenue	324,907	217,324
Total revenues	<u>7,839,978</u>	<u>4,596,422</u>

Special Revenue Fund (Cont'd)

	<u>2010</u>	<u>2009</u>
<i>Expenditures and Other Uses:</i>		
General government support	\$ 900,660	\$ 881,144
Public safety	416,922	-
Home and community services/development	6,398,661	2,538,440
Capital outlays	<u>147,868</u>	<u>1,154,049</u>
	<u>7,864,111</u>	<u>4,573,633</u>
Excess (deficiency) of revenues over expenditures	(24,133)	22,789
Fund balance, beginning of year	<u>5,179,707</u>	<u>5,156,918</u>
Fund balance, end of year	<u>\$ 5,155,574</u>	<u>\$ 5,179,707</u>

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Other Post Employment Benefits (OPEB)

The City provides post-employment benefit options for health care and dental insurance to eligible employees. The City of Jamestown, New York complies with the provisions of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. As of December 31, 2010, the net OPEB obligation which is unfunded totaled \$7,479,833 for governmental activities and \$9,172,635 for business-type activities.

Self-Insured Health and Dental Plan

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

Employee Retirement Systems

During recent years, all municipalities in the State of New York, including the City of Jamestown, New York, have experienced a significant increase in the cost of retirement benefits paid on behalf of employees participating in the NYS and Local Employees Retirement System and the NYS and Local Police and Fire Retirement System. For the year ended December 31, 2010 the City contributed 11.6% of eligible wages to the NYS and Local Employees Retirement System and 16.8% of eligible wages to the NYS and Local Police and Fire Retirement System. The New York State Comptroller has projected future contribution rates for 2011 as follows: NYS and Local Employees Retirement System 16.3% and NYS and Local Police and Fire Retirement System 20.9%.

Labor Negotiations

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

Constitutional Tax Limit

For 2010, the City was at 89.44% of its Constitutional Tax Limit, compared to 83.54% for 2009, and 84.53% for 2008. Over the next several years, the City is anticipating a modest increase in its taxable assessment base resulting from a number of economic development activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF JAMESTOWN, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,758,416	\$ 13,624,023	\$ 20,382,439
Restricted cash	-	6,317,515	6,317,515
Receivables:			
State, federal, and local governments	2,323,313	-	2,323,313
School taxes	1,179,669	-	1,179,669
Accounts and other, net of allowance	175,707	4,296,468	4,472,175
Loans, net of allowance	1,405,163	931,734	2,336,897
Prepaid expenses and deposits	505,425	13,796	519,221
Deposits held in custody	603,885	-	603,885
Bond issuance costs, net	82,311	-	82,311
Property acquired for taxes and held for sale	24,233	-	24,233
Inventories	47,527	1,483,158	1,530,685
Work in process	82,986	-	82,986
Other assets	-	1,308,813	1,308,813
Deferred charges	-	1,790,982	1,790,982
<i>Capital assets:</i>			
Land and construction in progress	1,207,755	13,793,465	15,001,220
Other capital assets, net of depreciation	<u>35,483,821</u>	<u>112,059,237</u>	<u>147,543,058</u>
 Total assets	 <u>\$ 49,880,211</u>	 <u>\$155,619,191</u>	 <u>\$205,499,402</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 1,933,203	\$ 4,501,361	\$ 6,434,564
Due to other governments	1,179,669	-	1,179,669
Bond premium, net	8,315	-	8,315
Consumer deposits	-	607,109	607,109
Retainages payable	-	127,750	127,750
<i>Non current liabilities:</i>			
Due within one year	1,592,595	3,083,000	4,675,595
Due in more than one year	18,230,209	26,468,000	44,698,209
<i>Other noncurrent liabilities:</i>			
Net OPEB obligation	7,479,833	9,172,635	16,652,468
Miscellaneous operating reserves	-	491,248	491,248
Total liabilities	<u>30,423,824</u>	<u>44,451,103</u>	<u>74,874,927</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	20,088,575	95,449,712	115,538,287
<i>Restricted for:</i>			
Capital lease deposit	603,885	-	603,885
Economic development	5,875,262	-	5,875,262
Capital expenditures	576,431	-	576,431
Risk retention	94,908	-	94,908
Plant dismantling	-	4,579,793	4,579,793
Energy conservation	-	(41,192)	(41,192)
Unrestricted	<u>(7,782,674)</u>	<u>11,179,775</u>	<u>3,397,101</u>
Total net assets	<u>19,456,387</u>	<u>111,168,088</u>	<u>130,624,475</u>
 Total liabilities and net assets	 <u>\$ 49,880,211</u>	 <u>\$155,619,191</u>	 <u>\$205,499,402</u>

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

**CITY OF JAMESTOWN, NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

<u>Functions</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General support	\$ 5,355,844	\$ 739,150	\$ 26,561	\$ -	\$ (4,590,133)	\$ -	\$ (4,590,133)
Public safety	10,699,784	665,028	416,922	-	(9,617,834)	-	(9,617,834)
Public improvements and projects	139,160	-	-	-	(139,160)	-	(139,160)
Streets	3,102,706	44,219	-	868,752	(2,189,735)	-	(2,189,735)
Culture and recreation	1,953,915	-	-	-	(1,953,915)	-	(1,953,915)
Home and community service/development	9,274,616	460,832	6,561,056	8,823	(2,243,905)	-	(2,243,905)
Employee benefits	10,183,656	-	-	-	(10,183,656)	-	(10,183,656)
Debt service	729,371	-	-	-	(729,371)	-	(729,371)
Total Governmental activities	<u>41,439,052</u>	<u>1,909,229</u>	<u>7,004,539</u>	<u>877,575</u>	<u>(31,647,709)</u>	<u>-</u>	<u>(31,647,709)</u>
Business-type activities:							
Board of Public Utilities	46,907,795	50,518,473	-	2,427,250	-	6,037,928	6,037,928
Total Business-type activities	<u>46,907,795</u>	<u>50,518,473</u>	<u>-</u>	<u>2,427,250</u>	<u>-</u>	<u>6,037,928</u>	<u>6,037,928</u>
Total Primary Government	<u>\$ 88,346,847</u>	<u>\$ 52,427,702</u>	<u>\$ 7,004,539</u>	<u>\$ 3,304,825</u>	<u>(31,647,709)</u>	<u>6,037,928</u>	<u>(25,609,781)</u>
General Revenues:							
Property taxes for general purposes					\$ 13,939,270	-	\$ 13,939,270
Sales taxes for general purposes					5,426,892	-	5,426,892
State aid not restricted to specific purpose					5,149,180	-	5,149,180
Board of Public Utilities (PILOT)					3,511,366	-	3,511,366
Investment earnings					173,353	145,630	318,983
Gain on disposal of fixed assets					-	67,052	67,052
Franchise fees and Utilities gross receipts					509,110	-	509,110
Other unclassified revenue					218,031	-	218,031
Other tax items					214,807	-	214,807
Total general revenues					<u>29,142,009</u>	<u>212,682</u>	<u>29,354,691</u>
Change in net assets					<u>(2,505,700)</u>	<u>6,250,610</u>	<u>3,744,910</u>
Net assets, beginning of year					<u>21,962,087</u>	<u>104,917,478</u>	<u>126,879,565</u>
Net assets, end of year					<u>\$ 19,456,387</u>	<u>\$ 111,168,088</u>	<u>\$ 130,624,475</u>

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

**CITY OF JAMESTOWN, NEW YORK
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,209,958	\$ 525,473	\$ 4,022,985	\$ 6,758,416
Receivables:				
State, Federal, and Local Governments	1,845,360	-	477,953	2,323,313
School taxes	1,179,669	-	-	1,179,669
Other	175,707	-	-	175,707
Loans, net of allowance for loan loss of \$983,893	-	-	1,405,163	1,405,163
Prepaid expenses	505,425	-	-	505,425
Deposits held in escrow	603,885	-	-	603,885
Property acquired for taxes and held for sale	5,590	-	18,643	24,233
Due from other funds	-	181,138	124,700	305,838
Inventories	47,527	-	-	47,527
Work-in-process	82,986	-	-	82,986
Total Assets	<u>\$ 6,656,107</u>	<u>\$ 706,611</u>	<u>\$ 6,049,444</u>	<u>\$ 13,412,162</u>
LIABILITIES AND FUND BALANCES				
Payables:				
Accounts	\$ 911,230	\$ 113,306	\$ 52,366	\$ 1,076,902
School district	1,179,669	-	-	1,179,669
Other	115,774	-	26,908	142,682
Accrued liabilities	713,186	-	-	713,186
Due to other funds	289,397	16,874	-	306,271
Deferred revenue:				
Restricted grants	-	-	671,732	671,732
Property taxes	5,590	-	-	5,590
Other	2,145	-	142,864	145,009
Total Liabilities	<u>3,216,991</u>	<u>130,180</u>	<u>893,870</u>	<u>4,241,041</u>
FUND BALANCES				
Reserved for:				
Capital expenditures	-	576,431	-	576,431
Deposit held in escrow - parking ramps	603,885	-	-	603,885
Economic development	-	-	5,060,666	5,060,666
Risk retention	-	-	94,908	94,908
Designated for subsequent year's expenditures	420,000	-	-	420,000
Unappropriated fund balance	2,415,231	-	-	2,415,231
Total Fund Balances	<u>3,439,116</u>	<u>576,431</u>	<u>5,155,574</u>	<u>9,171,121</u>
Total Liabilities and Fund Balances	<u>\$ 6,656,107</u>	<u>\$ 706,611</u>	<u>\$ 6,049,444</u>	<u>\$ 13,412,162</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, 2010

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

Total fund balance - governmental funds	\$ 9,171,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$64,112,624 and the accumulated depreciation is \$27,421,048.	36,691,576
Bond issuance costs are not financial resources and, therefore, are not reported in the funds. Bond issuance costs totaled \$239,163 and the accumulated amortization is \$156,852.	82,311
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.	(19,822,804)
The Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.	(7,479,833)
Bond premium is not due and payable in the current period and therefore is not reported in the funds. Bond premium totaled \$24,163 and the accumulated accretion is \$15,848.	(8,315)
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.	816,741
Property tax revenue is recognized in the period for which levied rather than when available. The governmental funds defer that amount which is not currently available.	<u>5,590</u>
Total net assets - governmental activities	<u>\$19,456,387</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, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:				
Real property taxes	\$ 13,939,270	-	-	\$ 13,939,270
Real property tax items	214,807	-	-	214,807
Non-property tax items	6,103,027	-	-	6,103,027
Departmental income	741,855	-	460,832	1,202,687
Intergovernmental charges	188,097	-	-	188,097
Use of money and property	70,249	1,916	100,794	172,959
Licenses and permits	227,036	-	-	227,036
Fines and forfeitures	135,576	-	-	135,576
Sale of property/compensation for loss	-	45,271	-	45,271
Other unclassified revenue	22,346	8,823	324,907	356,076
Board of Public Utilities (PILOT)	3,511,366	-	-	3,511,366
Refund of prior year expenditures	109,829	17,220	-	127,049
State aid	6,056,339	-	2,115,492	8,171,831
Interfund revenues	-	844,844	324,250	1,169,094
Federal aid	-	-	4,513,703	4,513,703
Total revenues	<u>31,319,797</u>	<u>918,074</u>	<u>7,839,978</u>	<u>40,077,849</u>
Expenditures:				
General government support	4,015,904	-	900,660	4,916,564
Public safety	9,975,766	-	416,922	10,392,688
Streets	3,426,330	-	-	3,426,330
Culture and recreation	1,957,539	-	-	1,957,539
Home and community services/development	770,372	-	6,398,661	7,169,033
Capital outlays	844,844	1,013,247	147,868	2,005,959
Employee benefits	7,688,856	-	-	7,688,856
Debt service - principal	1,664,243	4,665,000	-	6,329,243
Debt service - interest	666,404	-	-	666,404
Total expenditures	<u>31,010,258</u>	<u>5,678,247</u>	<u>7,864,111</u>	<u>44,552,616</u>
Excess (deficiency) revenues over expenditures	<u>309,539</u>	<u>(4,760,173)</u>	<u>(24,133)</u>	<u>(4,474,767)</u>
Other Sources (Uses):				
Proceeds from issuance of debt	-	4,665,000	-	4,665,000
Interfund transfers	25,000	(25,000)	-	-
Total other sources	<u>25,000</u>	<u>4,640,000</u>	<u>-</u>	<u>4,665,000</u>
Net change in fund balances	334,539	(120,173)	(24,133)	190,233
Fund balances, beginning of year	<u>3,104,577</u>	<u>696,604</u>	<u>5,179,707</u>	<u>8,980,888</u>
Fund balances, end of year	<u>\$ 3,439,116</u>	<u>\$ 576,431</u>	<u>\$ 5,155,574</u>	<u>\$ 9,171,121</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, 2010**

Net change in fund balances - total governmental funds	\$	190,233
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 depreciation expense of \$2,309,916 exceeded capital outlays of \$2,056,860 in the current year.		(253,056)
Governmental funds reported capital outlays for the train station renovations and improvements as expenditures. The government-wide financial statements recognized these expenditures as a capital asset. During 2010, the train station was transferred to Downtown Jamestown Revitalization LLC.		(1,572,086)
Governmental funds report bond issuance costs as expenditures. However, in the statement of activities, bond issuance costs are allocated over the life of the issued bonds. Amortization expense totaled \$32,452 in the current year.		(32,452)
Governmental funds report the premium on bonds issued as revenue. However, in the statement of activities, the bond premium is accreted over the life of the issued bonds. Premium accretion totaled \$3,279 in the current year.		3,279
The increase in the Net OPEB Obligation is not due and payable in the current period and therefore is not reported in the funds.		(2,566,020)
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.		(60,790)
Governmental funds report bond and other debt proceeds as other financing sources while repayment of principal is reported as an expenditure. The net effect of these differences in the treatment of bond and other debt proceeds as well as the payment of principal is as follows:		
<i>Proceeds from issuance of:</i>		
General obligation bond	\$ (4,665,000)	
<i>Principal payments:</i>		
General obligation bonds	725,000	
Notes payable - Board of Public Utilities	66,434	
Note payable - NYPA	249,162	
Notes payable for equipment purchases	238,647	
Notes payable - NYS Police/Fire Retirement System	101,495	
Obligations under capital leases	200,000	
Bond anticipation note	<u>4,850,000</u>	1,765,738
Governmental funds do not recognize loss on asset dispositions. The government-wide financial statements recognize the loss on asset dispositions.		(1,864)
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.		<u>21,318</u>
Change in net assets of governmental activities		<u>\$ (2,505,700)</u>

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

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

DECEMBER 31, 2010

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

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,624,023
Restricted cash	6,317,515
Receivables:	
Accounts, net of allowance of \$166,738	3,942,585
Affiliates	353,883
Inventories, at average cost	1,483,158
Other current and accrued assets	<u>1,295,158</u>
Total current assets	<u>27,016,322</u>

Other assets and investments:

Notes receivable from City of Jamestown, New York	931,734
Deposits and prepayments	13,796
Non-utility property	<u>13,655</u>
Total noncurrent assets	<u>959,185</u>

Property and equipment, less accumulated depreciation 125,852,702

Deferred charges 1,790,982

Total Assets \$155,619,191

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 4,501,361
Consumer deposits	607,109
Retainages payable	127,750
Current maturities of long-term debt	<u>3,083,000</u>
Total current liabilities	<u>8,319,220</u>

Non-current liabilities:

Long term debt, less current maturities	26,468,000
Accumulated post employment benefit obligation	9,172,635
Miscellaneous operating reserves	<u>491,248</u>
Total noncurrent liabilities	<u>36,131,883</u>

Total Liabilities 44,451,103

NET ASSETS

Invested in capital assets, net of related debt	95,449,712
Restricted for:	
Plant dismantling	4,579,793
Energy conservation	(41,192)
Unrestricted	<u>11,179,775</u>
Total net assets	<u>111,168,088</u>

Total Liabilities and Net Assets \$155,619,191

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, 2010**

	Business-type Activities Enterprise Fund <u>Board of Public Utilities</u>
Operating Revenues	<u>\$ 50,518,473</u>
Operating Expenses:	
Operations	25,280,857
Depreciation and amortization	6,620,978
Administrative and general	6,270,264
Payments in lieu of taxes, City of Jamestown, NY	3,511,366
Taxes	2,228,616
Consumer accounts	1,051,861
Repairs and maintenance	458,232
Supplies and contractual	47,935
Total Operating Expenses	<u>45,470,109</u>
Operating Income	<u>5,048,364</u>
Non-operating Revenue (Expense):	
Capital contribution	2,427,250
Interest expense	(1,386,281)
Bad debt	(51,405)
Interest income	145,630
Gain on disposal of fixed assets	67,052
Total Non-operating Revenue, net	<u>1,202,246</u>
Change in net assets	6,250,610
Net assets, beginning of year	<u>104,917,478</u>
Net assets, end of year	<u>\$111,168,088</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, 2010

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

Cash Flows from Operating Activities:	
Cash received from customers	\$ 49,704,528
Cash paid to suppliers and employees	(32,906,517)
Cash paid for taxes and payments in lieu of taxes	<u>(5,467,662)</u>
Net cash provided by operating activities	<u>11,330,349</u>
Cash Flows from Noncapital Financing Activities:	
Principal payments received on loans - City of Jamestown, New York	<u>66,434</u>
Net cash provided by noncapital financing activities	<u>66,434</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(8,826,261)
Interest paid on long-term debt	(1,255,375)
Principal payments on long-term debt	(2,964,000)
Proceeds from issuance of long-term debt	3,000,000
Contributed capital	2,427,250
Proceeds from sale of capital assets	<u>67,052</u>
Net cash used in capital and related financing activities	<u>(7,551,334)</u>
Cash Flows from Investing Activities:	
Interest income	145,630
Change in restricted cash	<u>(142,539)</u>
Net cash provided by investing activities	<u>3,091</u>
Net increase in Cash and Cash Equivalents	3,848,540
Cash and Cash Equivalents, beginning of year	<u>9,775,483</u>
Cash and Cash Equivalents, end of year	<u>\$ 13,624,023</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Operating income	\$ 5,048,364
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	6,620,978
Provision for losses on accounts receivable	(56,350)
Bad debt expense	(51,405)
<i>Change in operating assets and liabilities:</i>	
Accounts receivable	(809,628)
Inventories	214,665
Deferred charges	189,674
Other current and accrued assets	21,154
Accounts payable and accrued liabilities	147,372
Retainages payable	127,750
Accumulated post employment benefit obligation	10,284
Consumer deposits	78,095
Miscellaneous operating reserves	<u>(210,604)</u>
Net cash provided by operating activities	<u>\$ 11,330,349</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 1,669,551</u>

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

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

DECEMBER 31, 2010

	<u>Agency Funds</u>	<u>Recreation Department Trust Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,552,600	\$ 44,558	\$ 1,597,158
Cash held in escrow by agent	15,000	-	15,000
Due from other funds	433	-	433
Advances receivable	<u>22,135</u>	<u>-</u>	<u>22,135</u>
 Total assets	 <u>\$ 1,590,168</u>	 <u>\$ 44,558</u>	 <u>\$ 1,634,726</u>
<u>Liabilities</u>			
Amounts held in custody for others	<u>1,590,168</u>	<u>-</u>	<u>1,590,168</u>
Total liabilities	<u>1,590,168</u>	<u>-</u>	<u>1,590,168</u>
<u>Net Assets</u>			
Net assets held in trust	<u>-</u>	<u>44,558</u>	<u>44,558</u>
Total net assets	<u>-</u>	<u>44,558</u>	<u>44,558</u>
 Total liabilities and net assets	 <u>\$ 1,590,168</u>	 <u>\$ 44,558</u>	 <u>\$ 1,634,726</u>

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

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

YEAR ENDED DECEMBER 31, 2010

	<u>Recreation Department Trust Funds</u>
Additions:	
Miscellaneous revenues	\$ 27,549
Interest income	<u>177</u>
Total additions	<u>27,726</u>
Deductions:	
Culture and recreation	\$ <u>42,291</u>
Total deductions	<u>42,291</u>
Change in Net Assets	(14,565)
Net assets held in trust:	
Beginning of Year	<u>59,123</u>
End of Year	<u>\$ 44,558</u>

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Board of Public Utilities

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

Department of Development

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund type:

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

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

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

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

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

Due to and Due from Other Funds

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

Real Property Taxes

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

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

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

Inventories and Prepaid Items

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

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

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

Compensated Absences

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Compensated Absences (Cont'd)

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

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

Long-term Obligations

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

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.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

Statement of Cash Flows (Business-type Activities)

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

Insurance

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

In addition, the City acts as a self-insurer for health and dental insurance. Through May 31, 2010, the City maintained stop/loss insurance for claims which exceed the individual specific deductible of \$135,000. Effective June 1, 2010, the individual specific deductible was increased to \$150,000. It is the City's policy to estimate the cost of claims outstanding at year end and record this amount as a liability.

F. Budgets and Budgetary Accounting

Budget Policies

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

Budgetary Control

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

Budget Basis of Accounting

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits and Investments

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

Carrying amounts of deposits (including restricted cash)	\$ 28,297,112
Less Fiduciary Funds cash and equivalents	<u>(1,597,158)</u>
Total cash and equivalents - Government-wide Statement of Net Assets	<u>\$ 26,699,954</u>
Governmental activities	\$ 6,758,416
Business-type activities	<u>19,941,538</u>
	<u>\$ 26,699,954</u>

The City's financial institution (bank) balances at December 31, 2010 were fully FDIC insured and/or collateralized.

NOTE 3 - CONSTITUTIONAL TAX MARGIN AND LIMIT

Constitutional Tax Margin

The City's constitutional tax margin for the year ended December 31, 2010 was computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2005-2009)	<u>\$668,523,283</u>
<u>Constitutional Tax limit</u>	
2% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 13,370,466</u>
<u>2010 Tax Levy less Statutory Exclusions</u>	
Total tax levy for 2010	<u>\$ 13,939,808</u>
<i>Statutory Exclusions from Constitutional Tax Limit:</i>	
Debt service for General Obligation Bonds	(814,050)
Debt service for Bond Anticipation Notes	(266,875)
Budgetary appropriations for capital expenditures	(925,850)
Revenue designated for debt service	25,000
Total statutory exclusions	<u>(1,981,775)</u>
Tax levy subject to constitutional tax limit	<u>\$ 11,958,033</u>
Constitutional tax margin	<u>\$ 1,412,433</u>

Constitutional Tax Limit

For 2010, the City's tax levy (subject to the constitutional tax limit) totaled \$11,958,033 which was 89.44% of its constitutional tax limit of \$13,370,466.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 follows:

Governmental Activities

	Beginning of Year	Increases	Decreases	End of Year
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,207,755	\$ -	\$ -	\$ 1,207,755
Construction in progress	<u>3,445,773</u>	<u>-</u>	<u>(3,445,773)</u>	<u>-</u>
<i>Total capital assets not being depreciated</i>	<u>4,653,528</u>	<u>-</u>	<u>(3,445,773)</u>	<u>1,207,755</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	23,377,075	1,493,123	-	24,870,198
Buildings and structures	21,625,363	2,108,270	-	23,733,633
Equipment	12,094,088	228,298	(33,194)	12,289,192
Vehicles	<u>1,935,300</u>	<u>109,356</u>	<u>(32,810)</u>	<u>2,011,846</u>
<i>Total capital assets being depreciated</i>	<u>59,031,826</u>	<u>3,939,047</u>	<u>(66,004)</u>	<u>62,904,869</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	7,354,809	805,465	-	8,160,274
Buildings and structures	9,294,962	607,115	-	9,902,077
Equipment	6,966,703	775,022	(33,194)	7,708,531
Vehicles	<u>1,550,298</u>	<u>122,314</u>	<u>(22,446)</u>	<u>1,650,166</u>
<i>Total accumulated depreciation</i>	<u>25,166,772</u>	<u>2,309,916</u>	<u>(55,640)</u>	<u>27,421,048</u>
<i>Total capital assets being depreciated, net</i>	<u>33,865,054</u>	<u>1,629,131</u>	<u>(10,364)</u>	<u>35,483,821</u>
Governmental activities capital assets, net	<u>\$38,518,582</u>	<u>\$ 1,629,131</u>	<u>\$ (3,456,137)</u>	<u>\$36,691,576</u>

Depreciation Expense

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

Depreciation expense for the year ended December 31, 2010 is summarized as follows:

Governmental activities:	
General support	\$ 597,508
Public safety	317,659
Streets	504,186
Culture and recreation	32,816
Home and Community	<u>857,747</u>
Total depreciation expense, governmental activities	<u>\$ 2,309,916</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Cont'd)

Business-type activities

	Beginning of Year	Increases	Decreases	End of Year
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,044,413	\$ -	\$ -	\$ 2,044,413
Construction in progress	<u>7,271,601</u>	<u>11,628,680</u>	<u>(7,151,229)</u>	<u>11,749,052</u>
<i>Total capital assets not being depreciated</i>	<u>9,316,014</u>	<u>11,628,680</u>	<u>(7,151,229)</u>	<u>13,793,465</u>
<i>Capital assets being depreciated:</i>				
Electric Division	142,169,226	1,607,694	(268,425)	143,508,495
Waste Water Division	35,195,605	759,950	-	35,955,555
Water Division	31,454,383	1,556,812	(67,052)	32,944,143
Solid Waste Division	1,358,262	448,731	-	1,806,993
District Heat Division	<u>8,460,979</u>	<u>13,093</u>	<u>-</u>	<u>8,474,072</u>
<i>Total capital assets being depreciated</i>	<u>218,638,455</u>	<u>4,386,280</u>	<u>(335,477)</u>	<u>222,689,258</u>
<i>Less accumulated depreciation:</i>				
Electric Division	60,215,590	4,909,589	(401,221)	64,723,958
Waste Water Division	24,922,333	660,488	-	25,582,821
Water Division	13,379,307	740,656	(67,052)	14,052,911
Solid Waste Division	735,470	99,949	-	835,419
District Heat Division	<u>5,083,576</u>	<u>351,336</u>	<u>-</u>	<u>5,434,912</u>
<i>Total accumulated depreciation</i>	<u>104,336,276</u>	<u>6,762,018</u>	<u>(468,273)</u>	<u>110,630,021</u>
<i>Total capital assets being depreciated, net</i>	<u>114,302,179</u>	<u>(2,375,738)</u>	<u>132,796</u>	<u>112,059,237</u>
Business-type activities capital assets, net	<u>\$123,618,193</u>	<u>\$ 9,252,942</u>	<u>\$ (7,018,433)</u>	<u>\$125,852,702</u>

Construction in Progress

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

Depreciation Expense

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

Depreciation expense for the year ended December 31, 2010 was charged to the following:

Business-type activities:	
Electric Division	\$ 4,909,589
Waste Water Division	660,488
Water Division	740,656
Solid Waste Division	99,949
District Heat Division	<u>351,336</u>
Total depreciation expense, business-type activities	<u>\$ 6,762,018</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, 2010 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 2,275,000	\$ 4,665,000	\$ (725,000)	\$ 6,215,000	\$ 440,000
<i>Notes and capital lease obligations:</i>					
Board of Public Utilities:					
Note payable	902,569	-	(59,814)	842,755	62,490
Note payable	83,106	-	(4,317)	78,789	4,493
Note payable	12,493	-	(2,303)	10,190	2,397
Note payable - NYPA (via BPU)	1,913,800	-	(249,162)	1,664,638	252,521
Equipment note payable	666,101	-	(111,165)	554,936	115,392
Equipment note payable	469,175	-	(127,482)	341,693	132,632
NYS Police/Fire Retirement System	346,599	-	(62,726)	283,873	65,863
NYS Police/Fire Retirement System	263,702	-	(38,769)	224,933	40,707
Capital lease obligation:					
Parking ramps	7,095,000	-	(200,000)	6,895,000	205,000
Sub-total	<u>11,752,545</u>	<u>-</u>	<u>(855,738)</u>	<u>10,896,807</u>	<u>881,495</u>
Bond anticipation note	<u>4,850,000</u>	<u>-</u>	<u>(4,850,000)</u>	<u>-</u>	<u>-</u>
Compensated absences	<u>2,650,207</u>	<u>60,790</u>	<u>-</u>	<u>2,710,997</u>	<u>271,100</u>
Total Governmental activities	<u>\$21,527,752</u>	<u>\$ 4,725,790</u>	<u>\$ (6,430,738)</u>	<u>\$19,822,804</u>	<u>\$ 1,592,595</u>
<u>Business-type Activities:</u>					
General obligation bonds and notes	<u>\$29,515,000</u>	<u>\$ 3,000,000</u>	<u>\$ (2,964,000)</u>	<u>\$29,551,000</u>	<u>\$ 3,083,000</u>
Total Business-type activities	<u>\$29,515,000</u>	<u>\$ 3,000,000</u>	<u>\$ (2,964,000)</u>	<u>\$29,551,000</u>	<u>\$ 3,083,000</u>

Bond Issuance Costs and Accumulated Amortization

Governmental Activities

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

Bond issuance costs	\$ 239,163
Accumulated amortization	<u>(156,852)</u>
Bond issuance costs, net	<u>\$ 82,311</u>

Amortization expense for the year ended December 31, 2010 totaled \$32,452 and is included in debt service costs.

Business-type Activities

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Constitutional Debt Limit

As of December 31, 2010, the City's constitutional debt limit is computed as follows:

Five-year Average Full Valuation of Taxable Real Estate (2006-2010)	<u>\$674,547,688</u>
Constitutional debt limit - 7% of Five-year Average Full Valuation of Taxable Real Estate	<u>\$ 47,218,338</u>
Indebtedness subject to constitutional debt limit:	
Governmental activities	6,215,000
Business-type activities	<u>3,846,000</u>
	<u>10,061,000</u>
 Net Debt Contracting Margin	 <u>\$ 37,157,338</u>
 Percentage of Debt Contracting Power Exhausted	 <u>21.31%</u>

Governmental Activities - Additional Debt Disclosures:

General Obligation Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retired</u>	<u>End of Year</u>
1991 Public Improvement	2015	7.0%	\$ 130,000	\$ -	\$ (35,000)	\$ 95,000
2006A Bond Refunding	2019	3.5%-4.5%	1,340,000	-	(530,000)	810,000
2006C Bond Refunding	2020	3.5%-4.0%	805,000	-	(160,000)	645,000
2010A Public Improvement	2025	4.0%-4.25%	-	4,665,000	-	4,665,000
			<u>\$ 2,275,000</u>	<u>\$ 4,665,000</u>	<u>\$ (725,000)</u>	<u>\$ 6,215,000</u>

Notes Payable and Capital Lease Obligation

As of December 31, 2010, notes payable and obligations under capital lease obligation were comprised of the following:

<u>Description</u>	<u>Amount</u>
Note payable to City of Jamestown, NY Board of Public Utilities, payable \$7,902 per month including interest at 4.0% through December 2021.	\$ 842,755
Note payable to City of Jamestown, NY Board of Public Utilities, payable \$630 per month including interest at 4.0% through June 2024.	78,789
Note payable to City of Jamestown, NY Board of Public Utilities, payable \$230 per month including interest at 4.0% through December 2014.	10,190
Note payable to New York Power Authority (NYPA), issued via the Board of Public Utilities, payable \$21,702 per month including interest through June 2017, at a variable rate. At December 21, 2010 the variable rate was .51%.	1,664,638
Equipment note payable, payable \$33,648 per quarter including interest at 3.75% through May 2015.	554,936
Equipment note payable, payable \$36,067 per quarter including interest at 3.4% through May 2013.	341,693

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Notes Payable and Capital Lease Obligation (Cont'd)

<u>Description</u>	<u>Amount</u>
Note payable to New York State Police and Fire Retirement System, payable \$80,056 per year including interest at 5.0% through December 2013.	\$ 283,873
Note payable to New York State Police and Fire Retirement System, payable \$51,954 per year including interest at 5.0% through December 2014.	224,933
Capital lease obligation for parking ramps, payable \$50,360 per month including interest at 5.9% through February 2030. Secured by parking ramps.	6,895,000
	<u>\$ 10,896,807</u>

Compensated absences

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

Governmental-activities Debt Service Requirements

The annual debt service requirements to maturity for general obligation bonds, notes payable, and capital lease obligations as of December 31, 2010 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Notes/Capital Lease Obligation</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 440,000	\$ 351,818	\$ 881,495	\$ 495,281	\$ 1,321,495	\$ 847,099
2012	500,000	234,118	910,688	466,593	1,410,688	700,711
2013	510,000	213,440	868,157	436,817	1,378,157	650,257
2014	520,000	192,560	822,054	409,750	1,342,054	602,310
2015	440,000	171,115	702,151	382,599	1,142,151	553,714
2016-2020	1,875,000	612,382	2,302,699	1,603,137	4,177,699	2,215,519
2021-2025	1,930,000	211,863	2,074,563	1,041,248	4,004,563	1,253,111
2026-2030	-	-	2,335,000	364,200	2,335,000	364,200
Totals	<u>\$ 6,215,000</u>	<u>\$ 1,987,296</u>	<u>\$10,896,807</u>	<u>\$ 5,199,625</u>	<u>\$17,111,807</u>	<u>\$ 7,186,921</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

Business-type Activities - Additional Debt Disclosures:

Bonds and Notes Payable

Description	Final Maturity	Interest Rate	Beginning of Year	Additions	Retired	End of Year
<i>Electric:</i>						
Improvement Bond	2016	7.00%	\$ 3,795,000	\$ -	\$ (640,000)	\$ 3,155,000
2006 Bond Refunding	2019	4.00-5.00%	19,745,000	-	(1,645,000)	18,100,000
Improvement Bond	2025	4.13-5.00%	4,000,000	-	(250,000)	3,750,000
<i>District Heating:</i>						
2010A General Obligation Bond	2030	4.00-4.50%	-	3,000,000	-	3,000,000
Improvement Bond	2026	4.00-5.00%	730,000	-	(30,000)	700,000
<i>Waste Water:</i>						
NYS Environmental Facilities	2012	4.25-6.65%	945,000	-	(310,000)	635,000
NYS Environmental Facilities	2012	5.70-6.50%	200,000	-	(64,000)	136,000
Improvement Bond	2013	7.00%	100,000	-	(25,000)	75,000
			<u>\$29,515,000</u>	<u>\$ 3,000,000</u>	<u>\$ (2,964,000)</u>	<u>\$29,551,000</u>

Business-type Activities Debt Service Requirements

The annual debt service requirements to maturity for business-type activities general obligation bonds and notes as of December 31, 2010 are as follows:

Year	Principal	Interest	Total
2011	\$ 3,083,000	\$ 1,375,346	\$ 4,458,346
2012	3,228,000	1,147,742	4,375,742
2013	2,905,000	996,975	3,901,975
2014	2,925,000	868,335	3,793,335
2015	2,820,000	729,246	3,549,246
2016-2020	11,180,000	1,951,926	13,131,926
2021-2025	2,335,000	537,818	2,872,818
2026-2030	<u>1,075,000</u>	<u>116,201</u>	<u>1,191,201</u>
Totals	<u>\$29,551,000</u>	<u>\$ 7,723,589</u>	<u>\$37,274,589</u>

NOTE 6 - PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

1. PENSION PLANS

General Information

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

Plan Descriptions

Employees Retirement System (ERS)

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

Local Police and Fire Retirement System (PFRS)

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

Funding Policies

The Systems are non-contributory except for the following:

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

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

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
	<u>NYS and Local Employees</u>	<u>NYS and Local Police and Fire</u>	<u>NYS and Local Employees</u>
2010	\$ 653,400	\$1,388,768	\$ 900,758
2009	\$ 408,397	\$1,125,961	\$ 566,704
2008	\$ 494,708	\$1,292,528	\$ 587,793

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Plan Description

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

Funding Policy

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

Accounting Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers providing plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the City's net OPEB obligation at December 31, 2010.

Annual OPEB Cost and Net OPEB Obligation

	Governmental Activities	Business type Activities	Total
Annual Required Contribution (ARC)	\$ 5,015,309	\$ 303,027	\$ 5,318,336
Interest on net OPEB Obligation	221,122	412,306	633,428
Adjustment to annual required contribution	<u>(203,343)</u>	<u>(379,155)</u>	<u>(582,498)</u>
Annual OPEB Cost	5,033,088	336,178	5,369,266
Less expected Contributions	<u>(2,467,068)</u>	<u>(325,894)</u>	<u>(2,792,962)</u>
Increase in Net OPEB Obligation	2,566,020	10,284	2,576,304
Net OPEB obligation, January 1, 2010	<u>4,913,813</u>	<u>9,162,351</u>	<u>14,076,164</u>
Net OPEB obligation, December 31, 2010	<u>\$ 7,479,833</u>	<u>\$ 9,172,635</u>	<u>\$ 16,652,468</u>

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

Funded Status and Funding Progress

	Governmental	Business type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 83,283,836	\$ 5,465,137	\$ 88,748,973
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 83,283,836	\$ 5,465,137	\$ 88,748,973
Covered Payroll	\$ 15,414,662	\$ 7,448,136	\$ 22,862,798
Ratio of the unfunded actuarial accrued liability to covered payroll	<u>540.29%</u>	<u>.73%</u>	<u>388.18%</u>

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

The December 31, 2010 actuarial valuation utilized the entry age actuarial cost method. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets since currently, the plan has no assets at the valuation date to establish an investment rate, and an annual healthcare cost trend of 9% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 3% inflation assumption. Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payrolls on an open basis. As of December 31, 2010, the amortization period was twenty-eight years.

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

3. DEFERRED COMPENSATION PLAN

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTERFUND ACTIVITY OF GOVERNMENTAL FUNDS

The governmental funds include interfund balances and activity as of and for the year ended December 31, 2010 as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$ 289,397	\$ 25,000	\$ -
Capital Projects Fund	181,138	16,874	-	25,000
Trust and Agency	433	-	-	-
Special Revenue Fund:				
Special Revenue Fund	<u>124,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 306,271</u>	<u>\$ 306,271</u>	<u>\$ 25,000</u>	<u>\$ 25,000</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	<u>\$31,417,821</u>
<i>Amendments:</i>	
General Government Support	529,656
Public Safety	99,563
Streets	331,600
Culture and Recreation	91,404
Home and community services	30,000
Capital Outlays	(10,156)
Employee Benefits	(1,056,731)
Debt Service - principal	3,000
Debt Service - interest	<u>(17,300)</u>
Total amendments	<u>1,036</u>
Revised budget	<u>\$31,418,857</u>

NOTE 11 - LITIGATION

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES OTHER DISCLOSURES (Board of Public Utilities)

1. Summary of Accounting Policies

Business

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

Basis of Presentation

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

Capital Assets and Depreciation

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

Cash and Cash Equivalents

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

Post Employment Benefits

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

Fair Value of Financial Instruments

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

Health Insurance

The Divisions fund its health costs through self-insured health premiums. The Divisions employ an administrator to manage the self-insurance plan. The Divisions employ an administrator to manage the self-insurance plan.. Monthly premiums, based on prior experience, are deposited in a separate bank account from which the administrator pays out funds for health claims, prescriptions, administration fees, and stop loss insurance premiums. Stop loss coverage is \$90,000 per occurrence, effective May 1, 2010 the coverage was increased to \$100,000 per occurrence.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

1. Summary of Accounting Policies (Cont'd)

Accounts Receivable

Accounts receivable are carried at their net realizable value. The Divisions policy is to accrue a penalty on past due customer receivables. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts totaled \$166,738 as of December 31, 2010.

Utilization of Estimates

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

Net Assets

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

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

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

Classification of Revenues

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

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

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

Date of Management's Review

Subsequent events for each Division of the Board of Public Utilities were evaluated through April 18, 2011, which is the date the financial statements were available to be issued.

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

2. Restricted Cash and Cash Equivalents

As of December 31, 2010 restricted cash and cash equivalents were for the following:

Plant dismantling	\$4,579,793
Installation of natural gas boiler plant	1,246,474
Economic development	<u>491,248</u>
	<u>\$6,317,515</u>

3. Deferred Charges

As of December 31, 2010, deferred charges were comprised of the following:

Compensated absences	\$ 978,097
Unamortized debt issuance costs	<u>812,885</u>
	<u>\$1,790,982</u>

4. Municipal Electric System Disclosures

Major Customer

The Municipal Electric System sells excess energy off-system, commonly referred to as inadvertent sales, to a major distributor of electricity, NYISO. Revenues received by the Electric System from this distributor amounted to approximately 8.3% and 9.4% of Electric System revenue for the years ended December 31, 2010 and 2009, respectively.

Contingencies

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

Miscellaneous Operating Reserves (Liability)

At December 31, 2010, the liability for miscellaneous operating reserves for economic development totaled \$491,248. The Economic Development Fund was originally funded with a \$600,000 deposit. The purpose of this fund is to provide funding to improve infrastructure and build line extensions for new loads. Because the funds collected were a result of over billings to customers in prior years, the Municipal Electric Division is accruing interest on the amounts not refunded at 3.25% per annum.

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

CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BUSINESS-TYPE ACTIVITIES DISCLOSURES (Board of Public Utilities) (Cont'd)

5. Municipal Electric System Disclosures (Cont'd)

Net Assets Restricted for Plant Dismantling

As of December 31, 2010 net assets restricted for plant dismantling totaled \$4,579,793. Net assets restricted for plant dismantling was established pursuant to the Board of Public Utilities 2004 rate plan to set aside up to \$12,500,000 to fund the anticipated future costs associated with dismantling the existing coal plant. Pursuant to that rate plan, off-system sales profits of \$1,225,000 were reflected in the rates. Any amounts exceeding that level are to be restricted for plant dismantling. The restricted net assets must be placed in a separate bank account. The Board of Public Utilities may withdraw such funds for legitimate plant dismantling expenditures.

Net Assets Restricted for Energy Conservation

As of December 31, 2010 net assets restricted for energy conservation was at a deficit of \$41,192. The program provides the Board of Public Utilities community with information needed to understand why they should change their energy usage habits and educate them on becoming more energy responsible.

CITY OF JAMESTOWN, NEW YORK

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real property taxes	\$13,939,808	\$13,939,808	\$13,939,270	\$ (538)
Real property tax items	204,500	204,500	214,807	10,307
Non-property tax items	5,834,000	5,834,000	6,103,027	269,027
Departmental income	871,000	882,192	741,855	(140,337)
Intergovernmental charges	158,200	158,200	188,097	29,897
Use of money and property	75,000	75,000	70,249	(4,751)
Licenses and permits	222,500	222,500	227,036	4,536
Fines and forfeitures	157,000	157,000	135,576	(21,424)
Other unclassified revenue	25,000	25,000	22,346	(2,654)
Board of Public Utilities (PILOT)	3,559,000	3,559,000	3,511,366	(47,634)
Refund of prior year expenditures	75,000	75,000	109,829	34,829
State aid	<u>5,921,813</u>	<u>5,911,657</u>	<u>6,056,339</u>	<u>144,682</u>
Total revenues	<u>31,042,821</u>	<u>31,043,857</u>	<u>31,319,797</u>	<u>275,940</u>
Expenditures:				
General government support	\$ 3,528,938	\$ 4,058,594	\$ 4,015,904	\$ 42,690
Public safety	9,948,188	10,047,751	9,975,766	71,985
Streets	3,213,883	3,545,483	3,426,330	119,153
Culture and recreation	1,884,960	1,976,364	1,957,539	18,825
Home and community services	751,500	781,500	770,372	11,128
Capital outlays	855,000	844,844	844,844	-
Employee benefits	8,890,310	7,833,579	7,688,856	144,723
Debt service-principal	1,661,243	1,664,243	1,664,243	-
Debt service-interest	<u>683,799</u>	<u>666,499</u>	<u>666,404</u>	<u>95</u>
Total expenditures	<u>31,417,821</u>	<u>31,418,857</u>	<u>31,010,258</u>	<u>408,599</u>
Excess (deficiency) of revenues over expenditures	<u>(375,000)</u>	<u>(375,000)</u>	<u>309,539</u>	<u>684,539</u>
Other Sources:				
Transfers in from other funds	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other sources	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(350,000)</u>	<u>(350,000)</u>	<u>334,539</u>	<u>684,539</u>
Fund balance, beginning of year	<u>3,104,577</u>	<u>3,104,577</u>	<u>3,104,577</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,754,577</u>	<u>\$ 2,754,577</u>	<u>\$ 3,439,116</u>	<u>\$ 684,539</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SCHEDULE OF FUNDING PROGRESS FOR OPEB OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Schedule of Funding Progress

The schedule of funding progress for OPEB obligations as of the actuarial valuation date of December 31, 2010 follows:

	Governmental Activities	Business type Activities	Total
1. Actuarial Accrued Liability (AAL)	\$ 83,283,836	\$ 5,465,137	\$ 88,748,973
2. Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 83,283,836	\$ 5,465,137	\$ 88,748,973
4. Funded Ratio (3. Divided by 2.)	0%	0%	0%
5. Annual Covered Payroll	\$ 15,414,662	\$ 7,448,136	\$ 22,862,798
6. Ratio of the unfunded actuarial accrued liability to covered payroll	<u>540.29%</u>	<u>.73%</u>	<u>388.18%</u>

Schedule of Employer Contributions

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

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

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 8,359	\$ 3,919,718	\$ 94,908	\$ 4,022,985
Due from other funds	124,700	-	-	124,700
Due from other governments	456,189	21,764	-	477,953
Loans receivable, (net of allowance of \$812,861 for loan loss)	-	1,405,163	-	1,405,163
Real property held for sale	<u>-</u>	<u>18,643</u>	<u>-</u>	<u>18,643</u>
 Total assets	 <u>\$ 589,248</u>	 <u>\$ 5,365,288</u>	 <u>\$ 94,908</u>	 <u>\$ 6,049,444</u>
<u>Liabilities and Fund Balance</u>				
Account payable and accrued expenses	\$ -	\$ 52,366	\$ -	\$ 52,366
Amounts held in escrow and other	-	26,908	-	26,908
Deferred revenue	<u>589,248</u>	<u>225,348</u>	<u>-</u>	<u>814,596</u>
Total liabilities	<u>589,248</u>	<u>304,622</u>	<u>-</u>	<u>893,870</u>
<u>Fund Balance:</u>				
Reserved for:				
Economic development	-	5,060,666	-	5,060,666
Risk retention	<u>-</u>	<u>-</u>	<u>94,908</u>	<u>94,908</u>
Total fund balance	<u>-</u>	<u>5,060,666</u>	<u>94,908</u>	<u>5,155,574</u>
 Total liabilities and fund balance	 <u>\$ 589,248</u>	 <u>\$ 5,365,288</u>	 <u>\$ 94,908</u>	 <u>\$ 6,049,444</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2010**

	<u>Special Revenue</u>	<u>Department of Development</u>	<u>Risk Retention</u>	<u>Totals</u>
Revenues:				
Departmental income	\$ -	\$ 460,832	\$ -	\$ 460,832
Use of money and property	-	100,475	319	100,794
Local sources and other revenue	217,266	18,012	-	235,278
Grants and contributions	-	45,952	-	45,952
Interfund revenues	-	324,250	-	324,250
State aid	2,020,400	95,092	-	2,115,492
Bad debt recovery	-	2,261	-	2,261
Federal program income	-	41,416	-	41,416
Federal aid	<u>2,643,999</u>	<u>1,869,704</u>	<u>-</u>	<u>4,513,703</u>
Total revenues	<u>4,881,665</u>	<u>2,957,994</u>	<u>319</u>	<u>7,839,978</u>
Expenditures:				
General government support	-	900,660	-	900,660
Public safety	416,922	-	-	416,922
Home and community	4,316,875	1,911,120	-	6,227,995
Capital outlays	147,868	-	-	147,868
Other economic development	<u>-</u>	<u>170,666</u>	<u>-</u>	<u>170,666</u>
Total expenditures	<u>4,881,665</u>	<u>2,982,446</u>	<u>-</u>	<u>7,864,111</u>
Excess (deficiency) of revenues over expenditures	-	(24,452)	319	(24,133)
Fund balance, beginning of year	<u>-</u>	<u>5,085,118</u>	<u>94,589</u>	<u>5,179,707</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,060,666</u>	<u>\$ 94,908</u>	<u>\$ 5,155,574</u>

See Independent Auditor's Report.

CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

<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	\$ 1,370,952
Community Development Block Grant Recovery (CDBG-R)	14.218	24,353
Homelessness Prevention and Rapid Re-Housing Program	14.257	263,515
Home Investment Partnership Program (HOME)	14.239	<u>252,300</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,911,120</u>
<u>U.S. Department of Justice</u>		
Direct Programs:		
Edward Byrne Justice Assistance Grant	16.738	<u>\$ 49,113</u>
Total U.S. Department of Justice		<u>\$ 49,113</u>
<u>Federal Emergency Management Agency</u>		
Direct Program:		
Assistance to Firefighters Grant Program	83.554	<u>\$ 51,277</u>
Total Federal Emergency Management Agency		<u>\$ 51,277</u>
<u>Federal Department of Transportation</u>		
Direct Programs:		
Highway Planning and Construction	20.205	<u>\$ 2,543,609</u>
Total Federal Department of Transportation		<u>\$ 2,543,609</u>
Total Federal Expenditures		<u>\$ 4,555,119</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jamestown, New York under the programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City of Jamestown, New York, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jamestown, New York.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Subrecipient

Of the federal expenditures presented in the schedule, the City of Jamestown, New York provided federal awards to subrecipients as follows: CFDA No. 20.205; Program Name: Highway Planning and Construction; Amount provided to Subrecipient \$2,543,609.

CITY OF JAMESTOWN, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
14.218	Community Development Block Grant Recovery
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs? \$300,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF JAMESTOWN, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2010

There were no audit findings noted for the year ended December 31, 2009.

**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, 2010, which collectively comprise the City of Jamestown, New York's basic financial statements and have issued my report thereon dated June 24, 2011. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the City of Jamestown, New York, in a separate letter dated June 24, 2011.

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


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
June 24, 2011

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

To the City Council
City of Jamestown, New York

Compliance

I have audited the City of Jamestown, New York's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Jamestown, New York's major federal programs for the year ended December 31, 2010. City of Jamestown, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jamestown, New York's management. My responsibility is to express an opinion on the City of Jamestown, New York's compliance based on my audit.

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

In my opinion, City of Jamestown, New York, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
June 24, 2011