

**CITY OF NIAGARA FALLS, NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2009**

CITY OF NIAGARA FALLS, NEW YORK

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SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

The Honorable Members of City Council
City of Niagara Falls, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Niagara Falls, New York, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we 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 disclosures 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position and the 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*, we have also issued our report dated June 10, 2010 on our consideration of the City's internal control over financial reporting and our 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 our 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 our audit.

The management's discussion and analysis, schedule of funding progress for retiree health plan and budgetary comparison schedule on pages 1 through 14, A49 and A50 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and other schedules, listed in the table of contents as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and the accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR and both are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
June 10, 2010



Management Discussion and Analysis
City of Niagara Falls, New York
Fiscal Year ended December 31, 2009

This section of City of Niagara Falls, New York's (the City) annual financial report presents its discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2009.

Financial Highlights

- Demolished the Wintergarden and restored pedestrian traffic from state parks to downtown business district.
- Approval of bond issue in current year in the amount of \$8,190,000 with major purpose of funding to be utilized for reconstruction of City streets.
- The City was awarded federal stimulus funds for various purposes in the amount of \$12,301,402.
- Approval of projects in 2009 utilizing casino funds in the amount of \$4,469,253.
- Settled workers' compensation buy out with Niagara County.
- During 2009 the City became self insured for employee medical benefits and this resulted in a cost avoidance of \$800,000 for 2009.
- Settled the Niagara Six Law suit filed several years ago, large discrimination case filed against the City.
- Completion of new municipal complex, \$47 million dollar project on time and within budget with the environmental remediations.
- The City's total net assets increased by \$14,519,951 and the assets of the primary government of the City exceeded its liabilities at December 31, 2009 by \$62,774,527 (net assets). At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$99,191,876, an increase of \$19,390,270.
- City continues to update a 3 year financial plan in order to meet the requirements to continue receiving additional Aid and Incentives for Municipalities (AIM). The City has also continued to update its 10 year Capital Plan.

- The general fund reported unreserved, undesignated fund balance of \$4,210,539. This represents approximately 5% of the annual expenditures in the general fund.
- The City started to receive revenue from the New York Power Authority for sale of low cost power. Total revenue received in 2009 was \$713,790 less expenses of \$370,539.

Overview of the Financial Statements

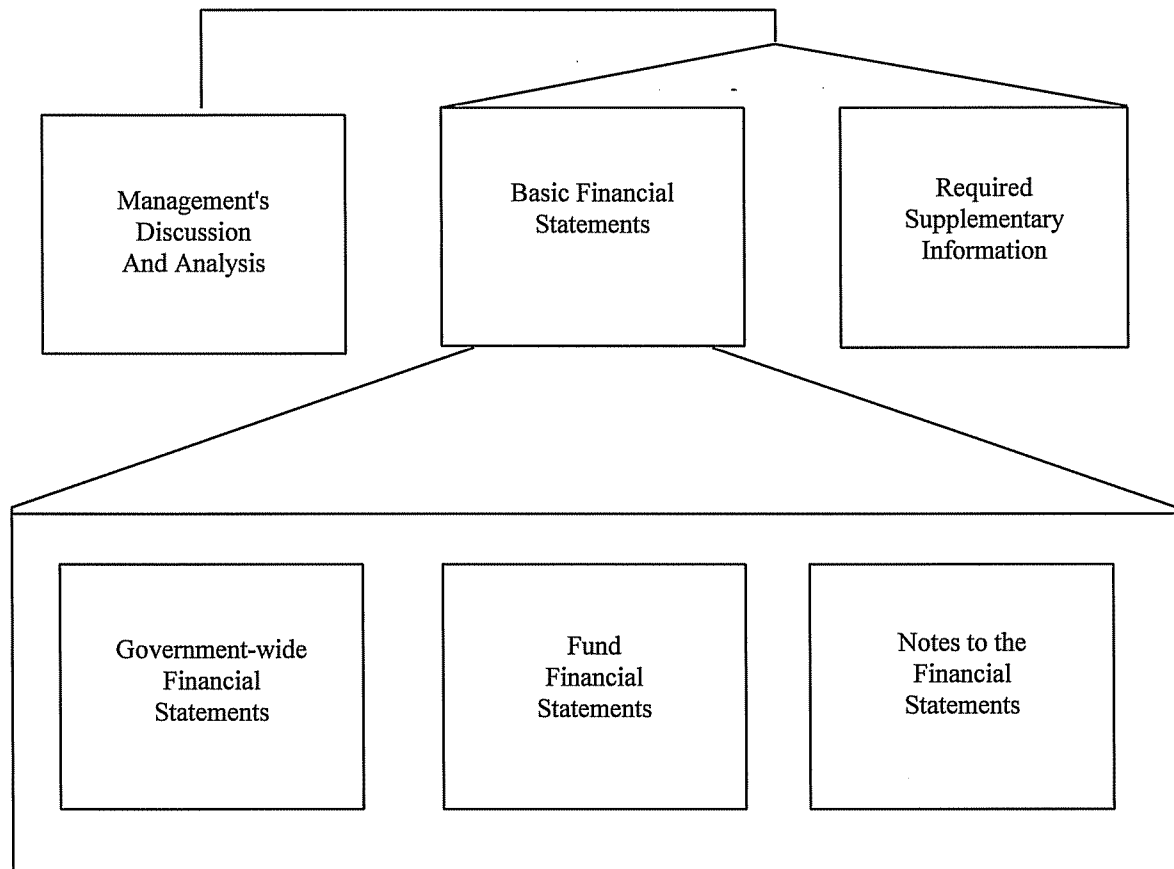
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of City of Niagara Falls, New York's Annual Financial Report



Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. 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 include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The two government-wide statements report the City's net assets and how they have changed. Net assets - the difference between the City's assets and liabilities - 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure and other facilities.

In the statement of net assets and the statement of activities all activities of the City have been classified as governmental. The major activities are described as follows:

Governmental activities - All of the City's basic services are reported in this category, including the general government support, public safety, transportation, economic assistance, culture and recreation and home and community services. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The City has three kinds of funds:

- **Governmental Funds:** Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.
- **Proprietary Fund:** The City maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its copier, postage, stationary, telephone and central garage services. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

All of the City's individual internal service funds are combined into a single presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found in the fund financial statements section of this report.

Financial Analysis of the City as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$62,774,527 at the close of the 2009 fiscal year.

The largest portion of the City's net assets is unrestricted. The unrestricted net assets can be used for any obligations of the City to citizens and creditors.

Investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding is a deficit in the current year. This deficit will be eliminated upon completion of the public safety building and the transfer of the asset from the Bellevue LDC to the City. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used.

Figure A-3 below is a summary of the City's statement of net assets as of December 31, 2009 as compared to that as of December 31, 2008:

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Total Percentage Change
	2009	2008	
Current and other assets	\$ 138,381,849	\$ 118,633,285	16.6%
Capital assets, net	68,354,492	60,131,693	13.7%
Total assets	<u>\$ 206,736,341</u>	<u>\$ 178,764,978</u>	<u>15.6%</u>
Long-term liabilities	\$ 111,421,534	\$ 97,690,491	14.1%
Other liabilities	32,540,280	32,819,911	-0.9%
Total liabilities	<u>143,961,814</u>	<u>130,510,402</u>	<u>10.3%</u>
Invested in capital assets			
net of related debt	5,437,092	(6,604,606)	-182.3%
Restricted	3,668,045	4,070,460	-9.9%
Unrestricted	53,669,390	50,788,722	5.7%
Total net assets	<u>\$ 62,774,527</u>	<u>\$ 48,254,576</u>	<u>30.1%</u>

A comparison of current assets as compared to current liabilities for the government-wide activities as of December 31, 2009 and 2008 follows:

	Governmental Activities 2009	Governmental Activities 2008
Current assets	\$ 138,381,849	\$ 118,633,285
Current liabilities	32,540,280	32,819,911
Ratio of current assets to current liabilities	4.25	3.61

Figure A-4**Changes in Net Assets**

	Governmental Activities		Total Percentage Change
	2009	2008	
Program revenues:			
Charges for services	\$ 7,870,927	\$ 8,809,369	-10.7%
Operating grants and contributions	9,540,803	8,315,100	14.7%
Capital grants and contributions	23,750,061	6,202,109	282.9%
General revenue:			
Property taxes and property tax items	30,998,553	30,849,014	0.5%
Non-property taxes	17,234,860	16,960,091	1.6%
Interest earnings	927,484	2,980,823	-68.9%
State aid	39,529,326	30,212,123	30.8%
Other	1,719,703	1,677,198	2.5%
Total revenues	<u>131,571,717</u>	<u>106,005,827</u>	<u>24.1%</u>
Program expenses:			
General government	19,849,756	20,608,103	-3.7%
Public safety	47,852,588	45,000,871	6.3%
Transportation	9,886,148	9,631,098	2.6%
Economic assistance and opportunity	9,946,386	6,007,751	65.6%
Culture and recreation	5,117,623	5,180,196	-1.2%
Home and community service	13,806,300	12,516,022	10.3%
Interest on debt	3,204,295	3,078,668	4.1%
Loss on sale of fixed assets	113,456	-	100.0%
Total expenses	<u>109,776,552</u>	<u>102,022,709</u>	<u>7.6%</u>
Increase in net assets before transfers	21,795,165	3,983,118	-447.2%
Transfers	(7,275,214)	(30,870,445)	76.4%
Net assets-beginning of the year	<u>48,254,576</u>	<u>75,141,903</u>	<u>-35.8%</u>
Net assets-end of the year	<u>\$ 62,774,527</u>	<u>\$ 48,254,576</u>	<u>30.1%</u>

Figure A-5

Revenues for Fiscal Year 2009

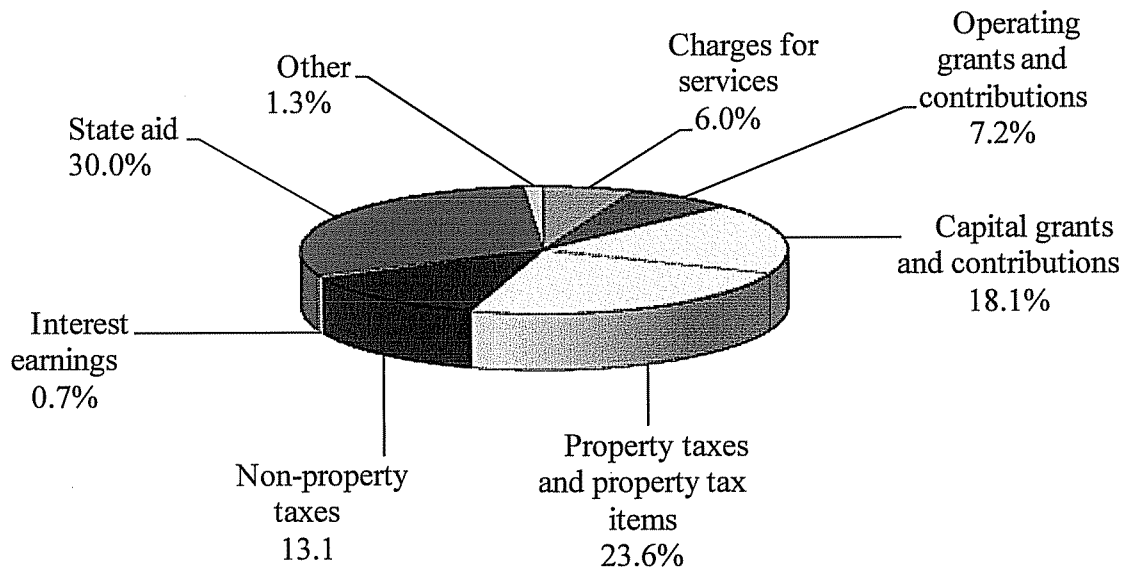
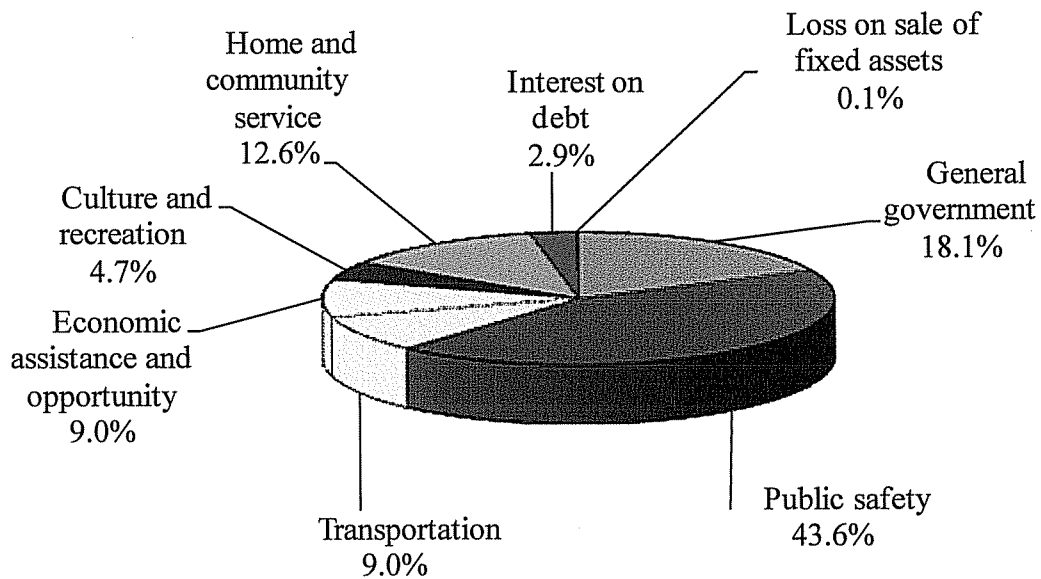


Figure A-6

Expenses for Fiscal Year 2009



Governmental Activities

This section presents the cost of seven major City activities: general government, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community service, and debt service. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the City's taxpayers by each of these functions.

Figure A-7

***Net Cost of Governmental Activities
for fiscal years ending December 31,***

	Total Cost of Services			Net Cost of Services		
	2009	2008	Percentage Change 2008-2009	2009	2008	Percentage Change 2008-2009
General government	\$ 19,849,756	\$ 20,608,103	-3.7%	\$15,645,960	\$ 16,126,428	-3.0%
Public safety	47,852,588	45,000,871	6.3%	44,962,205	42,147,663	6.7%
Transportation	9,886,148	9,631,098	2.6%	(15,130,295)	2,295,175	-759.2%
Economic assistance and opportunity	9,946,386	6,007,751	65.6%	9,946,386	6,007,751	65.6%
Culture and recreation	5,117,623	5,180,196	-1.2%	4,986,029	4,958,560	0.6%
Home and community service	13,806,300	12,516,022	10.3%	4,934,871	4,081,886	20.9%
Interest on debt	3,204,295	3,078,668	4.1%	3,204,295	3,078,668	4.1%
Total	<u>\$ 109,663,096</u>	<u>\$102,022,709</u>	<u>7.5%</u>	<u>\$68,549,451</u>	<u>\$ 78,696,131</u>	<u>-12.9%</u>

Financial Analysis of The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2009, the City's governmental funds reported combined ending fund balances of \$99,191,876, an increase of \$19,390,270 from the prior year. Approximately 26% of this amount constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to (1) liquidate contracts and purchase orders, (2) show that funds are not available due to long-term nature of accounts, loans and grants receivable, (3) pay for potential future risk related expenses, and (4) fund specific activities and events.

The General Fund is the chief operating fund of the City. At December 31, 2009, the unreserved fund balance of the General Fund was \$19,996,015 while the total fund balance was \$24,229,262. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved and total fund balance to total fund expenditures. Unreserved fund balances represents approximately 28% of total general fund expenditures, while total fund balance represents 34% of that same amount.

The fund balance of the City's General Fund decreased by \$1,394,245 during the fiscal year ended December 31, 2009. Key factors in this decrease are as follows:

General Fund Budgetary Highlights

Amendments to the budget occur throughout the year for a variety of reasons. These include reserves for encumbrances from prior year unexpended purchase orders which are added to the current year budget at the closing of the prior year, grants or other forms of financial aid which were received during the year but not anticipated in the original budget, appropriations of fund balances needed to offset unanticipated and unavoidable expenditures, and transfers of appropriations among object classes within department budgets to address particular requirements not anticipated in the original budget. The City Council approves and authorizes the annual budget at the level of object class totals within each department. The department heads and Controller have the authority to transfer appropriations among line items within each object class within departments. The reserve for encumbrances on prior year purchase orders are added to the budget as part of the annual financial closing process. All other budget amendments must be authorized by formal resolution of the City Council.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of December 31, 2009, amounted to \$68,354,492 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, infrastructure, buildings and improvements, vehicles and equipment. Significant factors affecting fixed assets during the 2009 fiscal year include:

- The City recorded total new additions to capital assets of approximately \$14,395,372. The most significant additions were in construction work in progress due to the start and continuation of various construction projects not completed at December 31, 2009 throughout the City.
- The City recorded total depreciation for the year of approximately \$4,147,041.

A summary of capital assets, net depreciation, for governmental-type activities is:

Figure A-8

Capital Assets Net of Depreciation

	Governmental Activities	
	2009	2008
Land and improvements	\$ 3,804,783	\$ 3,846,318
Construction in progress	25,296,985	17,849,349
Works of art	17,378	17,378
Infrastructure	28,704,642	29,405,542
Buildings and improvements	3,963,517	4,191,478
Equipment and furniture	1,223,408	596,071
Vehicles	5,343,779	4,225,557
Total	<u>\$ 68,354,492</u>	<u>\$ 60,131,693</u>

The City's infrastructure assets are recorded at historical or estimated historical cost in the government-wide financial statements. The City has elected to depreciate their infrastructure assets.

Additional information on the City's capital assets can be found in footnotes to the basic financial statements within this report.

Long-Term Obligations

At December 31, 2009, the City has total long-term obligations outstanding of \$111,421,534, of which \$5,686,126 is estimated to be payable within the next year. Of the total long-term obligations outstanding at December 31, 2009, \$70,905,067 is comprised of serial bonds for which the City has pledged full faith and credit. The remainder of the City's long-term obligations (compensated absences, workers' compensation, installment purchase debt, due to other governments, due to retirement system and post employment benefits) arises via contractual or other legal obligations the City has entered into.

The State of New York has a statutory limit for the amount of general obligation debt a local governmental entity may enter into. This limitation is applicable to the serial bonded debt of the City. In general the City may issue such obligations not to exceed 7% of its annual average five year valuation. The current debt-limitation for the City approximates \$89,797,021, therefore the City is in compliance with its constitutional debt limit.

Figure A-9

Outstanding Long-Term Obligations

	Governmental Activities	
	2009	2008
Installment purchase debt	\$ 247,599	\$ 1,252,479
Due to retirement system	2,162,555	2,510,568
Due to other governments	628,065	484,972
Compensated absences	10,390,145	10,075,972
Workers' compensation	7,477,331	8,328,671
Serial bonds	70,905,067	65,053,284
Post employment benefits	19,610,772	9,984,545
Total	<u>\$ 111,421,534</u>	<u>\$ 97,690,491</u>

During the fiscal year ended December 31, 2009, the City's total long-term obligations increased by approximately 14% (\$13,731,043).

The City has a bond rating of BBB+ from Standard & Poors, BBB+ rating from Fitch Investor Service and Baa2 from Moodys.

Additional information on the City's long-term obligations can be found in footnotes to this report.

Factors Bearing on the City's Future

In its fifth year of operations of the Seneca Niagara Casino has had a positive impact on the general economy of the City. It has brought additional employment and people to the City, who also utilize local restaurants and merchants and visit other local attractions.

Other important factors such as area employment and inflationary trend are very similar to those of the prior year and New York State in general.

While these factors are considered in preparing the City's 2009 budget, there are other important factors that are outside City control that are significant influences on the City's future as follows:

- Health insurance costs continue to increase at rates well above inflation.
- Retirement costs for employees as mandated by the New York State and Local Employees Retirement System and the New York State Police and Fire Retirement System are projected to remain at levels well above the average for the past ten years.
- The City is at 82% of its constitutional tax limit for the fiscal year ending December 31, 2009. The inability of the City to raise additional tax revenues to fund increases in costs could impact programs and operations.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the City Controller, City of Niagara Falls, 745 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 61,844,236	\$ 1,357,225
Cash and cash equivalents - restricted	8,235,266	-
Accounts receivable	2,589,099	959
Assessments receivable	28,887	-
Taxes receivable, net	13,370,425	-
Notes receivable	998,610	-
Loans receivable	4,612,096	570,511
Grant receivable	-	653,180
Due from primary government	-	2,889
State and federal receivables	28,150,750	-
Due from other governments	16,980,125	-
Prepaid expenses	1,106,429	-
Inventory	464,126	-
Miscellaneous current assets	1,800	-
Capital assets not being depreciated	28,462,276	39,713,313
Capital assets, net of accumulated depreciation	39,892,216	4,930
	<hr/>	<hr/>
Total assets	206,736,341	42,303,007

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	7,346,591	3,675
Accrued liabilities	6,178,110	-
Accrued interest payable	486,657	-
Retainage payable	435,573	-
Due to fiduciary fund	557,678	-
Due to other governments	9,411,362	-
Due to component units	2,889	-
Deferred revenue	8,106,742	1,538,095
Other liabilities	14,678	-

Long-term liabilities:

Due and payable within one year:

Installment purchase debt	247,599	-
Due to retirement systems	365,414	-
Due to other governments	202,215	-
Compensated absences	519,507	-
Workers' compensation claims	1,495,466	-
Serial bonds payable	2,855,925	-

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(Continued)

	<u>Governmental Activities</u>	<u>Component Units</u>
Long-term liabilities (continued):		
Due and payable after one year:		
Due to retirement systems	1,797,141	-
Due to other governments	425,850	-
Compensated absences	9,870,638	-
Workers' compensation claims	5,981,865	-
Serial bonds payable	68,049,142	-
Post employment benefits	19,610,772	-
	<u>143,961,814</u>	<u>1,541,770</u>
Total liabilities		
NET ASSETS:		
Invested in capital assets, net of related debt	5,437,092	-
Restricted for debt service	3,668,045	-
Temporarily restricted	-	468,553
Unrestricted	53,669,390	40,292,684
Total net assets	<u>\$ 62,774,527</u>	<u>\$ 40,761,237</u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 19,849,756	\$ 4,058,570	\$ 145,226	\$ -	\$ (15,645,960)	\$ -
Public safety	47,852,588	2,135,605	754,778	-	(44,962,205)	-
Transportation	9,886,148	1,266,382	-	23,750,061	15,130,295	-
Economic assistance and opportunity	9,946,386	-	-	-	(9,946,386)	-
Culture and recreation	5,117,623	11,412	120,182	-	(4,986,029)	-
Home and community services	13,806,300	398,958	8,520,617	-	(4,886,725)	-
Interest on debt	3,204,295	-	-	-	(3,204,295)	-
Total governmental activities	\$ 109,663,096	\$ 7,870,927	\$ 9,540,803	\$ 23,750,061	\$ (68,501,305)	-
Component units	\$ 33,974	\$ 28,153	\$ -	\$ -		(5,821)
General revenues:						
Real property taxes					27,843,546	-
Real property tax items					3,155,007	-
Non-property taxes					17,234,860	-
Interest earnings					927,484	1,276
State aid not restricted for a specific purpose					39,529,326	-
Other miscellaneous revenues					1,719,703	113,422
Loss on sale of fixed assets					(113,456)	-
Transfers					(7,275,214)	7,275,214
Total general revenues and transfers					83,021,256	7,389,912
Change in net assets					14,519,951	7,384,091
Net assets - beginning of the year					48,254,576	33,377,146
Net assets - end of the year					\$ 62,774,527	\$ 40,761,237

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Non-Major Governmental Funds	Total
ASSETS:						
Cash and cash equivalents	\$ 26,653,022	\$ 3,239,707	\$ 20,210,122	\$ 7,895,797	\$ 3,781,570	\$ 61,780,218
Cash and cash equivalents - restricted	-	-	8,235,266	-	-	8,235,266
Receivables (net of allowance for uncollectible taxes of \$3,293,292 in the General Fund)						
Accounts receivable	2,291,430	165,756	120,971	-	10,942	2,589,099
Assessments receivable	28,887	-	-	-	-	28,887
Taxes receivable	13,370,425	-	-	-	-	13,370,425
Notes receivable	998,610	-	-	-	-	998,610
Loans receivable	-	4,612,096	-	-	-	4,612,096
Due from other funds	404,242	-	-	-	-	404,242
State and federal receivables	3,439,536	-	24,711,214	-	-	28,150,750
Due from other governments	1,860,123	6,043,845	-	9,076,157	-	16,980,125
Prepaid expenditures	1,099,200	-	-	-	7,229	1,106,429
Miscellaneous current assets	-	-	-	-	1,800	1,800
Total assets	\$ 50,145,475	\$ 14,061,404	\$ 53,277,573	\$ 16,971,954	\$ 3,801,541	\$ 138,257,947
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts payable	\$ 4,366,382	\$ 306,864	\$ 1,302,458	\$ 1,215,001	\$ 82,534	\$ 7,273,239
Accrued liabilities	6,175,560	-	-	-	2,550	6,178,110
Accrued interest payable	-	-	-	-	19,121	19,121
Retainage payable	23,432	-	412,141	-	-	435,573
Due to other funds	523,929	334,231	-	-	17,471	875,631
Due to other governments	8,250,225	1,336,036	-	-	-	9,586,261
Due to component units	-	-	2,889	-	-	2,889
Deferred revenues	-	7,990,814	115,928	-	-	8,106,742
Deferred tax revenues	6,573,827	-	-	-	-	6,573,827
Other liabilities	2,858	-	-	-	11,820	14,678
Total liabilities	25,916,213	9,967,945	1,833,416	1,215,001	133,496	39,066,071

See notes to basic financial statements
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CITY OF NIAGARA FALLS, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(Continued)

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Non-Major Governmental Funds	Total
FUND BALANCES:						
Reserved for:						
Encumbrances	187,095	-	12,609,455	-	-	12,796,550
Debt service	-	-	-	-	3,668,045	3,668,045
Long-term receivables	398,460	-	-	-	-	398,460
Community development projects	-	3,088,592	-	-	-	3,088,592
Risk retention	3,288,521	-	-	-	-	3,288,521
Special events	47,495	-	-	-	-	47,495
Trolley services	311,676	-	-	-	-	311,676
Unreserved for:						
Designated for subsequent year's expenditures	4,158,788	-	19,256,263	15,153,329	-	38,568,380
Designated AIM state aid	755,975	-	-	-	-	755,975
Designated special projects	10,870,713	-	-	-	-	10,870,713
Undesignated	4,210,539	1,004,867	19,578,439	603,624	-	25,397,469
Total fund balances	24,229,262	4,093,459	51,444,157	15,756,953	3,668,045	99,191,876
Total liabilities and fund balances	\$ 50,145,475	\$ 14,061,404	\$ 53,277,573	\$ 16,971,954	\$ 3,801,541	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation

68,354,492

Long-term liabilities, including accrued interest payable, installment purchase debt, due to retirement systems, due to other governments, compensated absences, serial bonds payable, workers' compensation claims and post employment benefits are not due and payable in the current period and therefore not reported in the funds

(111,714,171)

Other long-term assets are not available to pay for prior period expenditures and therefore are deferred in the funds

6,573,827

Internal service fund balance which is due to governmental fund activities and related to charges for services provided

368,503

Net assets

\$ 62,774,527

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
Real property taxes	\$ 27,050,108	\$ -	\$ -	\$ -	-	\$ 27,050,108
Real property tax items	3,155,007	-	-	-	-	3,155,007
Non-property tax items	17,234,860	-	-	-	-	17,234,860
Departmental income	369,862	359,962	-	-	1,381,344	2,111,168
Intergovernmental charges	1,997,697	-	17,411,656	-	362,472	19,771,825
Use of money and property	931,649	6,703	29,225	105,528	106,675	1,179,780
Licenses and permits	617,579	-	-	-	-	617,579
Fines and forfeitures	686,719	-	-	-	-	686,719
Sale of property and compensation for loss	616,869	-	-	-	-	616,869
Miscellaneous local sources	362,846	-	414,556	-	850,000	1,627,402
Interfund revenues	242,364	-	-	-	-	242,364
State sources	25,407,099	360,179	6,149,699	14,794,829	145,226	46,857,032
Federal sources	522,047	8,160,438	-	-	-	8,682,485
Total revenues	79,194,706	8,887,282	24,005,136	14,900,357	2,845,717	129,833,198
EXPENDITURES:						
General government	12,199,893	-	1,111,101	5,261,100	1,433,518	20,005,612
Public safety	33,058,033	-	1,869,055	-	-	34,927,088
Transportation	4,058,143	-	8,951,563	-	-	13,009,706
Economic assistance and opportunity	5,084,534	-	4,839,149	-	-	9,923,683
Culture and recreation	2,501,592	-	397,276	-	1,701,442	4,600,310
Home and community services	5,232,612	7,882,415	-	-	-	13,115,027
Employee benefits	9,444,141	-	-	-	-	9,444,141
Debt service:						
Principal	37,055	-	-	-	3,306,042	3,343,097
Interest	-	-	-	-	2,989,050	2,989,050
Total expenditures	71,616,003	7,882,415	17,168,144	5,261,100	9,430,052	111,357,714

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

(Continued)

	General	Community Development	Capital Projects	Miscellaneous Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
Excess (deficit) of revenues over expenditures	7,578,703	1,004,867	6,836,992	9,639,257	(6,584,335)	18,475,484
OTHER FINANCING SOURCES (USES):						
Transfer to component unit	-	-	(7,275,214)	-	-	(7,275,214)
Serial bond proceeds	-	-	8,190,000	-	-	8,190,000
Interfund transfers in	2,817,144	-	11,920,293	-	7,903,572	22,641,009
Interfund transfers out	(11,790,092)	-	(93,632)	(9,035,633)	(1,721,652)	(22,641,009)
Total other financing sources (uses)	(8,972,948)	-	12,741,447	(9,035,633)	6,181,920	914,786
Net change in fund balances	(1,394,245)	1,004,867	19,578,439	603,624	(402,415)	19,390,270
Fund balances - beginning of the year	25,623,507	3,088,592	31,865,718	15,153,329	4,070,460	79,801,606
Fund balances - end of the year	\$ 24,229,262	\$ 4,093,459	\$ 51,444,157	\$ 15,756,953	\$ 3,668,045	\$ 99,191,876

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds	\$	19,390,270
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$14,395,372) excluding construction work in progress placed in service (\$1,912,076) exceeded depreciation (\$4,147,041) in the current period.		8,336,255
In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the losses decrease financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold.		(113,456)
The governmental funds report the payment of interest on long-term debt as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of the payment date. This amount is the net effect for the difference in the treatment of interest on long-term debt.		(215,245)
The incurrence of long-term liabilities for amortization payment on the employees retirement bill, police and fire retirement bill, and for long-term landfill operational and maintenance costs are recorded through expenses on the statement of activities at the time the liability is incurred, whereas in the governmental funds, the expenditure is recognized when payment is made. This is the amount of long-term liability incurred for amortization of retirement bills and for long-term operational and maintenance costs.		(101,093)
Repayment of the amortization on the employees retirement bill and police and fire retirement bill is reported as an expenditure in the governmental funds, but payment reduces the long-term liabilities in the statement of net assets. This is the amount of amortization payments made in the current period.		348,013
Increases/decreases in accrued compensated absences and workers compensation reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		537,167
Repayment of serial bond and installment debt principal is an expenditure on the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets. This is the amount of debt repayments made in the current year.		3,343,097

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Proceeds of long-term debt is recorded as an other financing source for governmental funds but it is not recorded in the statement of activities. This is the amount of proceeds from long-term debt received in the current year.	(8,190,000)
On the statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.	(9,626,227)
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities.	793,438
Internal service funds are used by management to charge the costs of postage, stationary, telephone and central garage services to individual funds. The net excess revenues for such services is reported with governmental activities.	<u>17,732</u>
Change in net assets of governmental activities	\$ <u><u>14,519,951</u></u>

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF NET ASSETS -
PROPRIETARY FUND - INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

Governmental
Activities -
Internal
Service Funds

ASSETS

Cash and cash equivalents	\$ 64,018
Inventory	<u>464,126</u>
Total assets	<u><u>\$ 528,144</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 73,352
Due to other funds	<u>86,289</u>
Total liabilities	<u>159,641</u>

NET ASSETS:

Unrestricted	<u>368,503</u>
Total net assets	<u>368,503</u>
Total liabilities and net assets	<u><u>\$ 528,144</u></u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES:	
Charges for services	\$ <u>945,081</u>
OPERATING EXPENSES:	
Contractual expense	<u>927,349</u>
Change in net assets	17,732
Net assets - beginning of the year	<u>350,771</u>
Net assets - end of the year	\$ <u><u>368,503</u></u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received for services provided	\$ 945,081
Cash payments for contractual expenses	<u>(948,752)</u>
Net cash used by operating activities	<u>(3,671)</u>
Net decrease in cash	(3,671)
Cash - beginning of the year	<u>67,689</u>
Cash - end of the year	\$ <u><u>64,018</u></u>
Reconciliation of income from operations to net cash used by operating activities:	
Income from operations	\$ 17,732
Adjustments to reconcile income from operations to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in:	
Inventory	(1,014)
Increase (decrease) in:	
Accounts payable	6,126
Due to other funds	<u>(26,515)</u>
Net cash used by operating activities	\$ <u><u>(3,671)</u></u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS - COMPONENT UNITS
DECEMBER 31, 2009

	<u>Bellevue Local Development Corporation</u>	<u>N.F.C. Development Corporation</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 99,965	\$ 1,257,260	\$ 1,357,225
Accounts receivable	-	959	959
Loans receivable (net of allowance for loan losses of \$157,782)	-	570,511	570,511
Grant receivable	-	653,180	653,180
Due from primary government	2,889	-	2,889
Capital assets not being depreciated	39,713,313	-	39,713,313
Capital assets, net of accumulated depreciation	<u>-</u>	<u>4,930</u>	<u>4,930</u>
 Total assets	 <u>\$ 39,816,167</u>	 <u>\$ 2,486,840</u>	 <u>\$ 42,303,007</u>
 LIABILITIES AND NET ASSETS:			
LIABILITIES:			
Accounts payable	\$ 2,889	\$ 786	\$ 3,675
Deferred revenue	<u>-</u>	<u>1,538,095</u>	<u>1,538,095</u>
 Total liabilities	 <u>2,889</u>	 <u>1,538,881</u>	 <u>1,541,770</u>
 NET ASSETS:			
Temporarily restricted	-	468,553	468,553
Unrestricted	<u>39,813,278</u>	<u>479,406</u>	<u>40,292,684</u>
 Total net assets	 <u>39,813,278</u>	 <u>947,959</u>	 <u>40,761,237</u>
 Total liabilities and net assets	 <u>\$ 39,816,167</u>	 <u>\$ 2,486,840</u>	 <u>\$ 42,303,007</u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Bellevue Local Development Corporation	NFC Development Corporation	Total
OPERATING REVENUES:			
Charges for services	\$ -	\$ 28,153	\$ 28,153
Other operating revenue	-	113,422	113,422
Total operating revenues	-	141,575	141,575
OPERATING EXPENSES:			
Contractual expense	-	33,487	33,487
Depreciation	-	487	487
Total operating expenses	-	33,974	33,974
Operating income (loss)	-	107,601	107,601
NON-OPERATING REVENUES:			
Interest earnings	-	1,276	1,276
Transfers from primary government	7,275,214	-	7,275,214
Total non-operating revenues	7,275,214	1,276	7,276,490
Change in net assets	7,275,214	108,877	7,384,091
Net assets - beginning of the year	32,538,064	839,082	33,377,146
Net assets - end of the year	\$ 39,813,278	\$ 947,959	\$ 40,761,237

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Bellevue Local Development Corporation	NFC Development Corporation	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Change in net assets	\$ -	\$ 107,601	\$ 107,601
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	-	487	-
Changes in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	2,537,476	199,542	2,737,018
Loans and grants receivable	-	(393,474)	(393,474)
Advances and other receivables	-	22,724	22,724
Increase (decrease) in:			
Accounts payable	(2,537,476)	(36,003)	(2,573,479)
Deferred revenue	-	1,056,139	1,056,139
Net cash provided by operating activities	<u>-</u>	<u>957,016</u>	<u>957,016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on cash and investments	-	1,276	1,276
Acquisition and construction of capital assets	<u>(7,275,209)</u>	<u>-</u>	<u>(7,275,209)</u>
Net cash provided (used) by investing activities	<u>(7,275,209)</u>	<u>1,276</u>	<u>(7,273,933)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating subsidies and transfers from city	<u>7,275,214</u>	<u>-</u>	<u>7,275,214</u>
Net increase in cash	5	958,292	958,297
Cash - beginning of the year	<u>99,960</u>	<u>298,968</u>	<u>398,928</u>
Cash - end of the year	<u>\$ 99,965</u>	<u>\$ 1,257,260</u>	<u>\$ 1,357,225</u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Private Purpose Trust	Agency
	<hr/>	<hr/>
ASSETS:		
Cash and cash equivalents	\$ 102,148	\$ 5,576,794
Due from other funds	<hr/> -	<hr/> 557,678
Total assets	\$ <hr/> 102,148	\$ <hr/> 6,134,472
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable	\$ 31	\$ -
Due to other governments	-	336,079
Agency liabilities	<hr/> -	<hr/> 5,798,393
Total liabilities	31	6,134,472
NET ASSETS:		
Restricted trust funds	<hr/> 102,117	<hr/> -
Total net assets	<hr/> 102,117	<hr/> -
Total liabilities and net assets	\$ <hr/> 102,148	\$ <hr/> 6,134,472

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
STATEMENT OF CHANGE IN NET ASSETS -
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest and earnings	\$ 5,527
DEDUCTIONS:	
Economic assistance and opportunity	<u>9,076</u>
Change in net assets	(3,549)
Net assets - beginning of the year	<u>105,666</u>
Net assets - end of the year	\$ <u><u>102,117</u></u>

See notes to basic financial statements

CITY OF NIAGARA FALLS, NEW YORK
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Debt Service	Golf Course	Library	Parking Ramp	Total
ASSETS:					
Cash and cash equivalents	\$ 3,676,224	\$ 36,940	\$ 52,335	\$ 16,071	\$ 3,781,570
Accounts receivable	10,942	-	-	-	10,942
Prepaid expenses	-	7,229	-	-	7,229
Miscellaneous current assets	-	1,800	-	-	1,800
Total assets	\$ 3,687,166	\$ 45,969	\$ 52,335	\$ 16,071	\$ 3,801,541
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	\$ 31,996	\$ 39,427	\$ 11,111	\$ 82,534
Accrued liabilities	-	-	-	2,550	2,550
Accrued interest payable	19,121	-	-	-	19,121
Due to other funds	-	2,153	12,908	2,410	17,471
Other liabilities	-	11,820	-	-	11,820
Total liabilities	19,121	45,969	52,335	16,071	133,496
FUND BALANCES:					
Reserved for debt service	3,668,045	-	-	-	3,668,045
Total fund balances	3,668,045	-	-	-	3,668,045
Total liabilities and fund balances	\$ 3,687,166	\$ 45,969	\$ 52,335	\$ 16,071	\$ 3,801,541

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Debt Service	Golf Course	Library	Parking Ramp	Total
REVENUES:					
Departmental income	\$ -	\$ 775,488	\$ -	\$ 605,856	\$ 1,381,344
Intergovernmental charges	362,472	-	-	-	362,472
Use of money and property	-	-	-	106,675	106,675
Miscellaneous local sources	850,000	-	-	-	850,000
State sources	-	-	-	145,226	145,226
Total revenues	<u>1,212,472</u>	<u>775,488</u>	<u>-</u>	<u>857,757</u>	<u>2,845,717</u>
EXPENDITURES:					
General government	67,763	974,562	-	391,193	1,433,518
Culture and recreation	-	-	1,701,442	-	1,701,442
Employee benefits	-	-	-	-	-
Debt service:					
Principal	3,306,042	-	-	-	3,306,042
Interest	2,989,050	-	-	-	2,989,050
Total expenditures	<u>6,362,855</u>	<u>974,562</u>	<u>1,701,442</u>	<u>391,193</u>	<u>9,430,052</u>
Excess (deficit) of revenues over expenditures	<u>(5,150,383)</u>	<u>(199,074)</u>	<u>(1,701,442)</u>	<u>466,564</u>	<u>(6,584,335)</u>
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	5,987,601	210,944	1,701,442	3,585	7,903,572
Interfund transfers out	(1,239,633)	(11,870)	-	(470,149)	(1,721,652)
Total other financing sources (uses)	<u>4,747,968</u>	<u>199,074</u>	<u>1,701,442</u>	<u>(466,564)</u>	<u>6,181,920</u>
Net change in fund balances	(402,415)	-	-	-	(402,415)
Fund balances - beginning of the year	4,070,460	-	-	-	4,070,460
Fund balances - end of the year	<u>\$ 3,668,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,668,045</u>

See independent auditor's report

CITY OF NIAGARA FALLS, NEW YORK
COMBINING BALANCE SHEET -
PROPRIETARY FUNDS -INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
ASSETS:						
Cash	\$ -	\$ -	\$ -	\$ 64,018	\$ -	\$ 64,018
Inventory	-	6,507	2,457	-	455,162	464,126
Total assets	\$ -	\$ 6,507	\$ 2,457	\$ 64,018	\$ 455,162	\$ 528,144
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ 566	\$ 5,026	\$ 67,760	\$ 73,352
Due to other funds	-	61	1,891	-	84,337	86,289
Total liabilities	-	61	2,457	5,026	152,097	159,641
NET ASSETS:						
Unrestricted	-	6,446	-	58,992	303,065	368,503
Total net assets	-	6,446	-	58,992	303,065	368,503
Total liabilities and net assets	\$ -	\$ 6,507	\$ 2,457	\$ 64,018	\$ 455,162	\$ 528,144

See independent auditor's report

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
OPERATING REVENUES:						
Charges for services	\$ -	\$ 54,767	\$ 3,231	\$ 68,695	\$ 818,388	\$ 945,081
OPERATING EXPENSES:						
Contractual expenses	-	55,000	3,231	73,014	796,104	927,349
Operating income (loss)	-	(233)	-	(4,319)	22,284	17,732
Net assets - beginning of the year	-	6,679	-	63,311	280,781	350,771
Net assets - end of the year	\$ -	\$ 6,446	\$ -	\$ 58,992	\$ 303,065	\$ 368,503

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Cash received for services provided	\$ -	\$ 54,767	\$ 3,231	\$ 68,695	\$ 818,388	\$ 945,081
Cash payments for contractual expenses	-	(54,939)	(3,231)	(72,194)	(818,388)	(948,752)
Net cash used by operating activities	-	(172)	-	(3,499)	-	(3,671)
Net decrease in cash	-	(172)	-	(3,499)	-	(3,671)
Cash - beginning of the year	-	172	-	67,517	-	67,689
Cash - end of the year	\$ -	\$ -	\$ -	\$ 64,018	\$ -	\$ 64,018
Reconciliation of income (loss) from operations to net cash used by operating activities:						
Income (loss) from operations	\$ -	\$ (233)	\$ -	\$ (4,319)	\$ 22,284	\$ 17,732
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:						
Changes in assets and liabilities:						
Decrease (increase) in:						
Inventory	-	-	(1,014)	-	-	(1,014)
Increase (decrease) in:						
Accounts payable	-	-	510	820	4,796	6,126
Due to other funds	-	61	504	-	(27,080)	(26,515)
Net cash used by operating activities	\$ -	\$ (172)	\$ -	\$ (3,499)	\$ -	\$ (3,671)

See independent auditor's report

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City is a unit of local government created by the State of New York. The City operates under provisions of New York State law and with authority vested by those statutes and under the provisions of the City Charter adopted by the City Council. The City provides services and facilities in the areas of police, highway, sanitation, parks, recreation, storm sewers, library, community development, fire and general administration. The five-member City Council is the legislative body responsible for overall operations. The Mayor serves as Chief Executive and Officer. The City Administrator serves as the Chief Administrative Officer. The City Comptroller serves as the Chief Financial Officer. Independently elected officials of the City include the Mayor and five council members.

The County of Niagara, New York, is a unit of local government, whose boundaries include the City. Public education is provided by an independent school district within the City, the Niagara Falls City School District.

The City reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. Based on the criteria under the Standards, there are two component units required to be included in the City's reporting entity including the N.F.C. Development Corporation and the Bellevue Local Development Corporation.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. BASIS OF PRESENTATION

1. COMPONENT UNITS

In conformity with accounting principals generally accepted in the United States of America, the financial statements of two of the component units have been included in the financial reporting entity as a discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely Presented Component Unit - The NFC Development Corporation's (NFC) purpose is to identify and develop business opportunities within the City, to package needed financing and to develop financial programs to support business development. The governing body of the NFC is comprised of the Mayor, the five members of the City Council, four members appointed by the Mayor and nine at large members elected by the existing NFC Board. Additionally, the NFC is managed by the City; therefore, the City is able to impose its will on the NFC. The NFC is presented as an enterprise fund type.

Discretely Presented Component Unit - The Bellevue Local Development Corporation's (Bellevue) purpose is to develop and construct a new public safety facility for the City. The governing body of the Bellevue is comprised of the Mayor and additional Board members appointed by the Mayor. Additionally, Bellevue is managed by the City; therefore the City is able to impose its will on the Bellevue. Bellevue is presented as an enterprise fund type. Upon the completion of the facility the asset will be transferred to the City.

Complete financial statements for N.F.C. may be obtained at their offices located at 1022 Main Street, Niagara Falls, New York. Bellevue does not issue stand alone financial statements.

2. GOVERNMENT-WIDE STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The Statement of Net Assets and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct revenues include charges paid by the recipients of goods or services offered by the City, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

3. FUND FINANCIAL STATEMENTS:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

Major Funds

The City reports the following major funds:

- a. General Fund - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Community Development Fund - this is used to account for the various programs of financial assistance (principally federal aid) for urban development. Community Development administers programs directly, as well as acting as a conduit to pass-through funds to sub-recipients whose goal is also to benefit the community.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Capital Projects Fund - used to account for and report financial resources to be used in the acquisition, construction or renovation of major capital facilities.
- d. Miscellaneous Special Revenue Fund - used to account for the receipts and disbursements of the Seneca Niagara Casino money received by the City.

Non-Major Funds

The City reports the following non-major funds:

- a. Special Revenue Funds - (Debt Service, Golf Course, Library and Parking Ramp) used to account for the proceeds of revenues that are legally restricted for specified purposes.

Proprietary Funds

Internal Service Fund - used to account for copying, postage, stationary, telephone and central garage services provided to other departments or agencies of the government on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust and Agency Funds 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 Purpose Trust are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the accrual basis of accounting.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. PROPERTY TAXES

The City property taxes are levied in December of each year, based on the assessed valuation as of the preceding July 1. On January 1 of each year, property taxes become a lien on property.

Tax payments are due and payable in equal installments on January 31 and May 31, after which it becomes delinquent and interest and penalties accrue. The City also bills for relieved sewer and water user charges and for unpaid school taxes.

The State Constitution limits the amount that may be raised by the City tax levy on real estate in any fiscal year to two percent (2%) of the last five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The City is responsible for collection of delinquent City school taxes. In the event that school taxes are not collected from the City's relevy, the City is obligated to remit taxes in full to the school district.

A provision for uncollectible taxes is estimated based on historical collection experience.

E. BUDGETARY DATA

1. BUDGET POLICIES - The City adopts an annual formal budget for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are treated as budgeted expenditures in the year commitment to purchase occurs. Encumbrances outstanding at year-end are accounted for as a reservation of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund appropriations are not included in the City's annual budget. Instead appropriations are approved through a City Council resolution at the project's inception and lapse upon termination of the project.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On October 1, for the subsequent fiscal year beginning January 1, the Mayor submits to the Common Council a complete operating plan of proposed expenditures and estimated revenues for the City.
 - b. The Council has the power to delete, reduce or add expenditure items to the budget except for debt service and other items required by law and an appropriation for a reserve for uncollected taxes, capital equipment and estimated deficit. The Council must act by December 1.
 - c. The Mayor has a line item veto power which must be exercised within 10 days of Council action. The Council then has 5 days to override such vetoes.
 - d. Reallocation of the budget among municipal service categories must be approved by the Council.
 - e. Appropriations generally expire at the end of the fiscal year except amounts administratively approved for reappropriation. These reappropriations are included in reserve for encumbrances in the fund financial statements.
 - f. Expenditures for each department may not legally exceed the total appropriations for that department. During the year, several supplemental appropriations were necessary.
2. ENCUMBRANCES - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

3. BUDGET BASIS OF ACCOUNTING

The budgets are adopted annually on a basis consistent with a non-GAAP basis which is on a cash basis. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The City's investment policies are governed by State statutes. The City funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 deposits, time deposits, and certificates of deposit 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 the State and its municipalities and school districts.

G. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing. The proceeds from the state for the City's share of the casino revenue is restricted for various purposes, primarily capital projects, per State Finance Law Section 99-H.

H. INVENTORY

All inventories are valued at cost using the first-in/first-out (FIFO) method for proprietary funds. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

I. ACCOUNTS RECEIVABLE

Accounts receivable, with the exception of taxes receivable, are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts, however, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

J. PREPAID EXPENDITURES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. DUE TO/FROM OTHER FUNDS:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental and business-type activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided in Note 3., A., 6.

L. CAPITAL ASSETS:

Government-wide statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The City has elected to adopt the more liberal provisions of GASB Statement No. 34 which allows retroactive reporting of only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 100,000	straight-line	25-50 years
Land improvements - exhaustible	100,000	straight-line	20-100 years
Infrastructure	100,000	straight-line	30-50 years
Machinery and equipment	5,000	straight-line	3-10 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. INSURANCE

The City is self-insured for general liability including but not limited to property damage and personal injury, workers' compensation and medical insurance.

The City has purchased reinsurance agreements to reduce exposure to large losses. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

N. DEFERRED REVENUES

Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for deferred revenues is removed and revenues are recognized.

O. LONG-TERM LIABILITIES

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consists primarily of serial bonds payable, installment purchase debt, due to other governments, due to retirement system, workers' compensation, compensated absences and other post employment benefits.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and other long-term obligations are reported as expenditures.

P. COMPENSATED ABSENCES

The City labor agreements and City Council rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for partially paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements. The compensated absences liability for the Governmental funds at the year-end totaled \$10,390,145.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides health insurance coverage for certain retired employees as discussed in Note 3., B., 2.

R. INTERFUND TRANSFERS

The operations of the City give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

S. FUND EQUITY

Government-wide statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond anticipation notes, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

The following is a description of the reserves and designations utilized by the City.

- a. Reserve for Encumbrances - representing funds accumulated for commitments related to unperformed contracts or purchase orders for goods and services.
- b. Reserve for Debt - represents funds accumulated for use with future debt payment on serial bonds.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Reserve for Long-Term Receivable - represents amounts loaned by the General Fund for a period in excess of one year subsequent to yearend.
- d. Reserve for Community Development Projects - represents funds accumulated for use on projects of the Community Development department.
- e. Reserve for Risk Retention - represents funds accumulated for insurance claims against the City. The City is self-insured for risk of loss and these funds are to cover claims against the City.
- f. Reserve for Special Events - represents funds accumulated for tourism use for the City and was approved by special legislation.
- g. Reserve for Trolley Services - represents funds restricted by City Council for trolley services.

Designations represent funds for which there is intent by the City to be used for a specific purpose. Designations of fund balance at December 31, 2009 include:

- a. Designated for Subsequent Year's Expenditures - represents funds to be used to assist in supporting the subsequent years authorized appropriations.
- b. Designated for AIM State Aid - represents funds from New York State to be used to assist in property tax relief to the taxpayers of the City.
- c. Designated for Special Projects - represents funds to be used for projects related to improvements to City facilities and operations as determined by City Council.

T. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenues from sources subject to state or local requirements. The primary restricted revenues sources are those revenues raised for the special revenue funds.

V. LABOR RELATIONS

Some City employees are represented by collective bargaining units with the balance of employees governed by City Council rules and regulations.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - REPORTING ON BUDGETARY BASIS

The City reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balance is computed on a GAAP basis and budgetary basis.

GAAP BASIS:

Fund Balance - December 31, 2009	\$ 24,229,262
Deduct outstanding encumbrances	<u>187,095</u>
BUDGETARY BASIS - Fund balance - December 31, 2009	\$ <u>24,042,167</u>

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 deposit 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 the State and municipalities and school districts.

Investment and Deposit Policy

The City implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The City follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Controller of the City.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Credit Risk

The City's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of the New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The City restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the New York State and its localities.

2. RECEIVABLES

Major revenues accrued by the City at December 31, 2009, include the following:

a. Accounts Receivables - Amounts accrued at December 31, 2009:

General Fund:

Demolitions, debris pickup, and weed cutting	\$ 1,083,774
Franchise fees	265,472
Gross utilities taxes	39,749
Tourism - 4 th quarter occupancy tax & hotel trolley service	291,546
Services provided to water authority	25,298
Other miscellaneous receivables	<u>585,591</u>
	2,291,430

Community Development:

Miscellaneous	165,756
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CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

<u>Capital Projects:</u>	
Miscellaneous	120,971

<u>Other Governmental Funds:</u>	
Miscellaneous	<u>10,942</u>

Total accounts receivable	<u>\$ 2,589,099</u>
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- b. State and Federal Receivables - represents amounts due primarily from New York State and the federal government. Amounts accrued at December 31, 2009, consist of:

<u>General Fund:</u>	
NYS sales tax	\$ 513,675
NYS arterial maintenance	200,812
Brownfields grant	140,995
NYS DCJS Project Impact	141,806
8 th District Court	49,413
Medicare Part D	57,699
NYS Power Authority	84,604
NYS AIM	1,439,285
Other miscellaneous state and federal receivables	<u>811,247</u>
	3,439,536

<u>Capital Projects Fund:</u>	
Custom House	1,839,124
Lockport Street Bridge	1,399,935
Intermodal Transportation Project	3,176,748
Buffalo Avenue Project	1,689,370
Federal ARRA Project	3,566,746
USA West Mall	826,430
Lewiston Road Reconstruction	11,110,298
Other miscellaneous state and federal receivables	<u>1,102,563</u>
	<u>24,711,214</u>

Total state and federal receivables	<u>\$28,150,750</u>
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CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- c. Due from Other Governments - represents amounts due primarily from the County of Niagara, New York, and other governmental entities. Amounts accrued at December 31, 2009, consist of:

General Fund:

Niagara Falls Water Board	\$ 707,639
NFBOE/School tax fees	78,983
NFBOE - Miscellaneous	215,914
Niagara County - Sales tax	738,777
Other miscellaneous due from other governments	<u>118,810</u>
	1,860,123

Community Development Fund:

US Treasury	6,043,845
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Miscellaneous Special Revenue:

Casino Revenue	<u>9,076,157</u>
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Total due from other governments	<u>\$16,980,125</u>
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3. NOTES RECEIVABLE

- a. Cascades Company - During 1987, Nitec Paper Corporation filed for bankruptcy with several years of outstanding taxes and water and sewer charges due to the City, the County of Niagara (County), and the Niagara Falls Board of Education. The City obtained the deed in lieu of foreclosure and sold the plant to Cascades Company for outstanding taxes and charges totaling \$5,400,000. Upon closing, \$100,000 was paid to the City with the remaining \$5,300,000 to be paid over 30 years as follows: Commencing November 1, 1988 through October 1, 1997 monthly payments of interest only at 3% and beginning on November 1, 1997 through October 1, 2017 monthly payments of interest and principal of \$29,394. Upon receipt of funds, the City retains 16.2%, and distributes 59.4% to the Water Board, 17.6% to the Niagara Falls Board of Education, and 6.8% to the County. At December 31, 2009, the note outstanding balance was as follows:

	Interest	Issued	Maturity	Balance
<u>General Fund</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>12/31/09</u>
Note Receivable	3%	1988	2017	<u>\$998,610</u>

- b. Wintergarden Entertainment, LLC - During 2003, the Wintergarden facility was sold by the City to Wintergarden Entertainment, LLC., for \$950,000. The City received a note receivable to be paid over a 10 year period with interest at 7%. The monthly payment was \$11,030. The note was paid in full during the year.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- c. Due from Other Governments - represents amounts due primarily from the County of Niagara, New York, and other governmental entities. Amounts accrued at December 31, 2009, consist of:

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3. NOTES RECEIVABLE

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	Interest	Issued	Maturity	Balance
<u>General Fund</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>12/31/09</u>
Note Receivable	3%	1988	2017	<u>\$998,610</u>

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CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

4. LOANS RECEIVABLE

The loans receivable recorded in the Community Development Fund represent amounts owed to the City relating to the U.S. Department of Housing and Urban Development Community Development loan program. Loans outstanding as of December 31, 2009, were as follows:

	<u>Balance</u>
<u>Community Development Fund:</u>	<u>12/31/09</u>
Loans receivable - USDHUD	\$ 3,450
Loan receivable - miscellaneous	3,435,705
Loan receivable - HOME	<u>1,172,941</u>
	<u>\$4,612,096</u>

5. TAXES RECEIVABLE

The taxes receivable recorded in the General Fund represents amounts owed to the City relating to real property taxes. At December 31, 2009,

<u>General Fund:</u>	<u>Balance 12/31</u>
City taxes receivable current	\$ 3,439,803
City taxes receivable overdue	7,022,500
School taxes receivable	<u>6,539,235</u>
Total taxes receivable	17,001,538
Less: allowance for uncollectibles	<u>3,631,113</u>
Total taxes receivable, net	<u>\$13,370,425</u>

6. INTERFUND ACTIVITIES

To improve cash management, all City disbursements are made from a consolidated account in the general fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reason why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year.

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to capital projects funds and debt service fund. They also facilitate contributions from the special revenue fund to capital projects funds.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Interfund receivables, payables and transfers as of and for the year ended December 31, 2009, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 404,242	\$ 523,929	\$ 2,817,144	\$11,790,092
Community Development Fund	-	334,231	-	-
Capital Projects Fund	-	-	11,920,293	93,632
Miscellaneous Special Revenue Fund	-	-	-	9,035,633
Debt Service Fund	-	-	5,987,601	1,239,633
Golf Course Fund	-	2,153	210,944	11,870
Library Fund	-	12,908	1,701,442	-
Parking Ramp Fund	-	2,410	3,585	470,149
Internal Service Fund	-	86,289	-	-
Trust & Agency Fund	<u>557,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 961,920</u>	<u>\$ 961,920</u>	<u>\$ 22,641,009</u>	<u>\$22,641,009</u>

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

7. CAPITAL ASSETS

Capital asset activity for governmental-type activities for the year ended December 31, 2009, is as follows:

	<u>Balance</u> <u>01/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
Capital assets, not being depreciated:				
Land	\$ 2,891,293	\$ -	\$ -	\$ 2,891,293
Land improvement - inexhaustible	256,620	-	-	256,620
Construction work in progress	17,849,349	9,359,712	1,912,076	25,296,985
Works of art/historical treasures	<u>17,378</u>	<u>-</u>	<u>-</u>	<u>17,378</u>
Totals capital assets, not being depreciated	<u>21,014,640</u>	<u>9,359,712</u>	<u>1,912,076</u>	<u>28,462,276</u>
Capital assets, being depreciated:				
Infrastructure	80,410,162	1,677,244	-	82,087,406
Land improvements - exhaustible	1,943,159	-	-	1,943,159
Buildings and building improvements	20,105,515	234,832	-	20,340,347
Furniture, office, and other equipment	7,843,295	834,903	37,051	8,641,147
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	<u>11,873,398</u>	<u>2,288,681</u>	<u>803,831</u>	<u>13,358,248</u>
Total capital assets, being depreciated	<u>131,248,425</u>	<u>5,035,660</u>	<u>840,882</u>	<u>135,443,203</u>

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>01/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
Less accumulated depreciation:				
Infrastructure	51,004,620	2,378,144	-	53,382,764
Land improvements - exhaustible	1,244,754	41,535	-	1,286,289
Buildings and building improvements	15,914,037	462,793	-	16,376,830
Furniture, office, and other equipment	7,247,224	207,566	37,051	7,417,739
Library/museum resources	9,072,896	-	-	9,072,896
Vehicles	<u>7,647,841</u>	<u>1,057,003</u>	<u>690,375</u>	<u>8,014,469</u>
Total accumulated depreciation	<u>92,131,372</u>	<u>4,147,041</u>	<u>727,426</u>	<u>95,550,987</u>
Total capital assets, being depreciated, net	<u>39,117,053</u>	<u>888,619</u>	<u>113,456</u>	<u>39,892,216</u>
Governmental activities capital assets, net	<u>\$ 60,131,693</u>	<u>\$10,248,331</u>	<u>\$ 2,025,532</u>	<u>\$ 68,354,492</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 139,209
Public safety	553,744
Transportation	2,935,435
Culture and recreation	479,050
Home and community service	<u>39,603</u>
Total	<u>\$ 4,147,041</u>

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

B. LIABILITIES

1. PENSION PLANS

The City of Niagara Falls participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer, public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policies

The Systems are noncontributory except for employees who join the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first 10 years of membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as percentages of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
2009	\$ 1,084,759	\$ 3,340,955
2008	1,156,591	3,354,765
2007	1,029,284	3,298,317

The City of Niagara Falls contributions made to the Systems were equal to 100 percent of the contributions required for each year.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due February 2005 would be based on the pension value as of March 31, 2004).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with this schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7.0% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered pensionable salaries.

The law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the Systems' fiscal years ending March 31, 2005 through 2007.

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) did not change for the calculation.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

a. PLAN DESCRIPTION

The City of Niagara Falls, New York (the City), administers the City of Niagara Falls Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. 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.

b. FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

c. 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.

d. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's 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 in 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 to the Retiree Health Plan at December 31, 2009:

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ending</u> <u>12/31/09</u>
Normal Cost	\$ 4,194,868
Amortization of UAL	11,927,440
Interest	<u>644,892</u>
OPEB Expense	16,767,200
Interest on OPEB obligation	399,382
Adjustment to ARC	(577,408)
Net OPEB contributions made during the fiscal year	<u>(6,962,947)</u>
Net OPEB obligation for the current fiscal year	9,626,227
Net OPEB obligation at beginning of year	<u>9,984,545</u>
Net OPEB obligation at end of year	<u>\$19,610,772</u>
Percentage of expense contributed	42.0%

e. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2009, the actuarial accrued liability for benefits was \$214,499,508, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the unfunded actuarial accrued liability to the covered payroll was not available. The total post employment health insurance cost to the City for 532 retirees was \$6,962,947 for the year ended December 31, 2009.

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 on page A49, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

f. 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 of benefit costs between the employer and plan members to the point. 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, 2009, actuarial valuation, utilized the entry age actuarial cost method. The actuarial assumptions included a 4 percent 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 in order to establish a plan investment rate, and an annual healthcare cost trend of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at December 31, 2009 was twenty-nine years.

3. LONG-TERM LIABILITIES

- a. Serial bonds - The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the City recognized \$2,945,639 of expenditures for long-term serial bond interest.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- b. Other long-term liabilities - In addition to the above long-term debt, the City had a non-current liability for compensated absences, which represents the value of the earned and unused sick days. The City has a non-current liability for installment purchase debt for the acquisition of various capital assets and an energy performance contract for the installation of equipment to improve energy efficiency. The interest expenditures from the installment purchase debt totaled \$43,390 in the current year. The City also has non-current long-term liabilities for estimated workers' compensation claims incurred, due to other governments for the present value of future operating and maintenance costs related to the City's landfill obligation and due to retirement system for the current and long-term obligation of amortized payments for the remaining amounts owed by the City to the State for the 2005 and 2006 employee retirement system and police and fire retirement system.
- c. Summary of balances - The following is a summary of changes in long-term liabilities for the year ended December 31, 2009:

	Balance <u>01/01/09</u>	<u>Additions</u>	<u>Redeemed</u>	Balance <u>12/31/09</u>	Due within <u>One year</u>
<u>General Obligation debt:</u>					
Serial bonds	\$ 65,053,284	\$ 8,190,000	\$ 2,338,217	\$ 70,905,067	\$ 2,855,925
<u>Other Liabilities:</u>					
Installment purchase debt	1,252,479	-	1,004,880	247,599	247,599
Due to retirement system	2,510,568	-	348,013	2,162,555	365,414
Due to other governments	484,973	143,092	-	628,065	202,215
Compensated absences	10,075,972	314,173	-	10,390,145	519,507
Workers' compensation	8,328,671	749,604	1,600,944	7,477,331	1,495,466
Post employment benefits	<u>9,984,545</u>	<u>16,589,174</u>	<u>6,962,947</u>	<u>19,610,772</u>	<u>-</u>
	<u>\$ 97,690,492</u>	<u>\$ 25,986,043</u>	<u>\$ 12,255,001</u>	<u>\$ 111,421,534</u>	<u>\$ 5,686,126</u>

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

d. Long-term debt maturity schedule

<u>Fund and Purpose</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Principal Outstanding 01/01/2009</u>	<u>Issued</u>	<u>Paid With Appropriations</u>	<u>Principal Outstanding 12/31/2009</u>
General:								
General Improvements	1994	2024	6.125-7.5	\$ 7,682,000	\$ 2,927,538	\$ -	\$ 202,828	\$ 2,724,710
General Improvements	2000	2015	4.75-5.8	3,094,000	61,000	-	31,000	30,000
Refunding Serial Bonds - 1992-1994	2003	2024	4.13	4,123,400	3,655,000	-	105,000	3,550,000
General Improvements	2004	2018	4.25	13,035,250	8,536,634	-	712,792	7,823,842
General Improvements - 2006	2006	2028	4.375-4.5	9,364,000	9,075,000	-	305,000	8,770,000
General Improvements - 2007	2007	2037	4.5-4.625	39,400,000	38,735,000	-	725,000	38,010,000
General Improvements - 2009	2009	2024	3-3.75	8,190,000	-	8,190,000	-	8,190,000
					62,990,172	8,190,000	2,081,620	69,098,552
Golf Course:								
General Improvements	2004	2018	4.25	124,750	95,933	-	8,010	87,923
					95,933	-	8,010	87,923
Sewer:								
Sewer Lines	1994	2024	5.3-7.5	2,988,000	15,746	-	389	15,357
Sewer Lines	2000	2015	4.75-5.8	1,840,000	4,000	-	4,000	-
					19,746	-	4,389	15,357
Parking Ramp I:								
Refunding Serial Bonds - 1992	2003	2012	4.00	100,600	35,000	-	10,000	25,000
Improvements	2004	2018	3.75-5.00	1,600,000	1,230,395	-	102,736	1,127,659
					1,265,395	-	112,736	1,152,659
Parking Ramp II:								
Refunding Serial Bonds - 1992	2003	2012	4.13	1,006,000	425,000	-	110,000	315,000
					425,000	-	110,000	315,000
Public Library:								
Improvements	2004	2018	4.25-5.00	334,250	257,038	-	21,462	235,576
					257,038	-	21,462	235,576
Total Serial Bonds:					\$ 65,053,284	\$ 8,190,000	\$ 2,338,217	\$ 70,905,067

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- e. Summary schedule of maturing debt - The following is a summary of maturing debt service requirements for the City's serial bonds and installment purchase debt:

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Installment Purchase</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,855,925	\$ 3,139,952	\$ 247,599	\$ 3,155
2011	2,933,203	3,017,707	-	-
2012	2,990,055	2,890,713	-	-
2013	2,921,051	2,762,128	-	-
2014	3,041,612	2,631,863	-	-
2015-2019	16,028,221	10,985,805	-	-
2020-2024	14,010,000	7,664,175	-	-
2025-2029	9,850,000	4,948,125	-	-
2030-2034	9,475,000	2,881,163	-	-
2035-2037	<u>6,800,000</u>	<u>637,181</u>	<u>-</u>	<u>-</u>
Total	\$ <u>70,905,067</u>	\$ <u>41,558,812</u>	\$ <u>247,599</u>	\$ <u>3,155</u>

4. **RISK FINANCING ACTIVITIES**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has determined that it was not economically justifiable to carry insurance for risks or loss related to torts and other general liability claims except for amounts in excess of \$750,000. The City's insurance provides coverage of up to \$5,000,000 per occurrence and \$15,000,000 in the aggregate. The City is self-insured for unemployment insurance and certain employee health plans. Amounts paid for unemployment and general liability claims were not material to the City's financial statements. Claims settlements over the past four years have not exceeded the available insurance coverage. The City reports all of its risk management activities in its General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City's Corporation Counsel assesses liability for unpaid claims on a case-by-case basis. Resolution of outstanding unpaid claims is not expected to be material to the financial statements.

Total expenditures for claims and judgments recorded in the City's governmental funds for the year ended December 31, 2009 was \$1,551,616.

At December 31, 2009, the City has no liabilities relating to claims and judgments.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

The workers' compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$450,000, per occurrence, up to the limitations provided under the contract. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability.

The City provides to its employees hospitalization, medical and dental through various insurance programs. The claim liability related to the major medical noted below is included in agency liabilities.

	<u>Workers'</u> <u>Compensation</u>		<u>Major</u> <u>Medical</u>		<u>Total</u>
Estimated claims December 31, 2008	\$ 8,328,671	\$	-	\$	8,328,671
Claims incurred 2009	749,604		9,015,709		9,765,313
Payments 2009	<u>1,600,944</u>		<u>8,267,418</u>		<u>9,868,362</u>
Estimated claims December 31, 2009	\$ <u>7,477,331</u>	\$	<u>748,291</u>	\$	<u>8,225,622</u>

5. DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2009, a total amount of \$14,790,000 of bonds outstanding are considered defeased.

NOTE 4 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

OVERDRAWN APPROPRIATIONS

Expenditures for the year ended December 31, 2009 exceeded appropriations in the General Fund for general government, economic assistance and opportunity, debt principal and interfund transfers out by \$1,199,913, \$1,483,379, \$37,055, and \$980,329, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. LANDFILL CLOSURE COSTS

The City has been identified by the United States Environmental Protection Agency (EPA) as a responsible party which can be held liable for a portion of the long-term maintenance and operation of a landfill site in Niagara County.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

The City's portion for the long-term maintenance and operation of the landfill has been estimated to be approximately \$630,000. All parties designated as potentially responsible parties by the EPA participated in a Pilot Allocation Program. As a result of the Pilot Allocation Program, the City is required to make annual payments of \$21,000 for the long-term operation and maintenance of the landfill. As of December 31, 2009 a liability has been recorded in the Governmental activities funds for future operation and maintenance costs.

B. ASSESSMENTS

The City is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the City vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

C. OTHER

The City is also involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the City's financial condition or results of operations.

NOTE 6 - FUTURE GASB PRONOUNCEMENTS

A. ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS (Continued)

This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The City is required to adopt the provisions of Statement No. 51 for the year ended December 31, 2010. However, it is anticipated that the implementation of this standard will not have a material effect on the City's financial statements.

B. FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will be effective for the City beginning with its year ending December 31, 2011. Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned and unassigned.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. GASB Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

C. OPEB MEASUREMENTS BY AGENT EMPLOYERS AND AGENT MULTIPLE-EMPLOYER PLANS

In December 2009, GASB issued Statement No. 57 which addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. (In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, rather than being administered and accounted for as a single plan as is done in a cost-sharing plan). GASB Statement No. 57 amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS (Continued)

This Statement enables certain agent employers to use the alternative measurement method, a less complex and potentially less expensive alternative to a full actuarial valuation. It also adjusts the requirement that a defined benefit OPEB plan obtain an actuarial valuation, in light of the change allowing more qualifying employers to use the alternative measurement method and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and their participating employers. GASB Statement No. 57 is effective for financial statements for periods beginning after June 15, 2011, however, earlier application of this Statement is encouraged.

NOTE 7 - SUBSEQUENT EVENTS

The N.F.C. Development Corp. transferred loans valued at \$403,260 as of December 31, 2009 to the City during the 2010 year.

Subsequent to fiscal year end, the City authorized the issuance of a bond in the amount of \$2,125,000 for improvements to 72nd Street and 10th Street.

These financial statements have not been updated for subsequent events occurring after June 10, 2010 which is the date these financial statements were available to be issued.

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Schedule of Funding Progress</u>	Actuarial Valuation Date <u>01/01/09</u>
1. Currently retired liability	\$111,171,821
2. Actives eligible to retire	61,442,086
3. Actives not yet eligible	<u>41,885,604</u>
4. Actuarial Accrued Liability	214,499,508
5. Actuarial Value of Assets	<u>-</u>
6. Unfunded Actuarial Accrued Liability	214,499,508
7. Funded Ratio (5. divided by 4.)	0%
8. Annual Covered Payroll	Not Available
9. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	Not Available
<u>Schedule of Employer Contributions</u>	Fiscal Year Ending <u>12/31/09</u> \$ 6,962,947

GASB Statement No. 45 was implemented prospectively.

CITY OF NIAGARA FALLS, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Real property taxes	\$ 26,498,068	\$ 26,498,068	\$ 27,050,108	\$ 552,040
Real property tax items	3,376,803	3,376,803	3,155,007	(221,796)
Non-property tax items	14,783,000	14,783,000	17,234,860	2,451,860
Departmental income	320,115	320,115	369,862	49,747
Intergovernmental charges	1,037,835	1,037,835	1,997,697	959,862
Use of money and property	1,781,572	1,781,572	931,649	(849,923)
Licenses and permits	550,950	550,950	617,579	66,629
Fines and forfeitures	841,000	842,890	686,719	(156,171)
Sale of property and compensation for loss	205,230	270,463	616,869	346,406
Miscellaneous local sources	725,879	345,200	362,846	17,646
Interfund revenues	237,700	237,700	242,364	4,664
State sources	25,517,880	25,938,559	25,407,099	(531,460)
Federal sources	303,600	303,600	522,047	218,447
Total revenues	<u>76,179,632</u>	<u>76,286,755</u>	<u>79,194,706</u>	<u>2,907,951</u>
EXPENDITURES:				
General government	11,640,759	10,999,980	12,199,893	(1,199,913)
Public safety	32,270,391	33,247,949	33,058,033	189,916
Transportation	4,028,251	4,289,213	4,058,143	231,070
Economic assistance and opportunity	3,592,500	3,601,155	5,084,534	(1,483,379)
Culture and recreation	2,495,314	2,718,787	2,501,592	217,195
Home and community services	5,166,704	5,333,604	5,232,612	100,992
Employee benefits	12,840,058	12,697,469	9,444,141	3,253,328
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>37,055</u>	<u>(37,055)</u>
Total expenditures	<u>72,033,977</u>	<u>72,888,157</u>	<u>71,616,003</u>	<u>1,272,154</u>
Excess of revenues over expenditures	4,145,655	3,398,598	7,578,703	4,180,105
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	1,388,657	2,206,987	2,817,144	610,157
Interfund transfers out	(8,826,850)	(10,809,763)	(11,790,092)	(980,329)
Appropriated fund balance	<u>3,292,538</u>	<u>5,204,178</u>	<u>-</u>	<u>(5,204,178)</u>
Total other financing sources (uses)	<u>(4,145,655)</u>	<u>(3,398,598)</u>	<u>(8,972,948)</u>	<u>(5,574,350)</u>
Net change in fund balance	-	-	(1,394,245)	(1,394,245)
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>25,623,507</u>	<u>25,623,507</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,229,262</u>	<u>\$ 24,229,262</u>

See independent auditor's report.

SECTION B
SUPPLEMENTAL SCHEDULES

CITY OF NIAGARA FALLS, NEW YORK
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Debt Service	Golf Course	Library	Parking Ramp	Total
ASSETS:					
Cash and cash equivalents	\$ 3,676,224	\$ 36,940	\$ 52,335	\$ 16,071	\$ 3,781,570
Accounts receivable	10,942	-	-	-	10,942
Prepaid expenses	-	7,229	-	-	7,229
Miscellaneous current assets	-	1,800	-	-	1,800
Total assets	\$ 3,687,166	\$ 45,969	\$ 52,335	\$ 16,071	\$ 3,801,541
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	\$ 31,996	\$ 39,427	\$ 11,111	\$ 82,534
Accrued liabilities	-	-	-	2,550	2,550
Accrued interest payable	19,121	-	-	-	19,121
Due to other funds	-	2,153	12,908	2,410	17,471
Other liabilities	-	11,820	-	-	11,820
Total liabilities	19,121	45,969	52,335	16,071	133,496
FUND BALANCES:					
Reserved for debt service	3,668,045	-	-	-	3,668,045
Total fund balances	3,668,045	-	-	-	3,668,045
Total liabilities and fund balances	\$ 3,687,166	\$ 45,969	\$ 52,335	\$ 16,071	\$ 3,801,541

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Debt Service	Golf Course	Library	Parking Ramp	Total
REVENUES:					
Departmental income	\$ -	\$ 775,488	\$ -	\$ 605,856	\$ 1,381,344
Intergovernmental charges	362,472	-	-	-	362,472
Use of money and property	-	-	-	106,675	106,675
Miscellaneous local sources	850,000	-	-	-	850,000
State sources	-	-	-	145,226	145,226
Total revenues	<u>1,212,472</u>	<u>775,488</u>	<u>-</u>	<u>857,757</u>	<u>2,845,717</u>
EXPENDITURES:					
General government	67,763	974,562	-	391,193	1,433,518
Culture and recreation	-	-	1,701,442	-	1,701,442
Employee benefits	-	-	-	-	-
Debt service:					
Principal	3,306,042	-	-	-	3,306,042
Interest	2,989,050	-	-	-	2,989,050
Total expenditures	<u>6,362,855</u>	<u>974,562</u>	<u>1,701,442</u>	<u>391,193</u>	<u>9,430,052</u>
Excess (deficit) of revenues over expenditures	<u>(5,150,383)</u>	<u>(199,074)</u>	<u>(1,701,442)</u>	<u>466,564</u>	<u>(6,584,335)</u>
OTHER FINANCING SOURCES (USES):					
Interfund transfers in	5,987,601	210,944	1,701,442	3,585	7,903,572
Interfund transfers out	(1,239,633)	(11,870)	-	(470,149)	(1,721,652)
Total other financing sources (uses)	<u>4,747,968</u>	<u>199,074</u>	<u>1,701,442</u>	<u>(466,564)</u>	<u>6,181,920</u>
Net change in fund balances	<u>(402,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(402,415)</u>
Fund balances - beginning of the year	<u>4,070,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,070,460</u>
Fund balances - end of the year	<u>\$ 3,668,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,668,045</u>

See independent auditor's report

CITY OF NIAGARA FALLS, NEW YORK
COMBINING BALANCE SHEET -
PROPRIETARY FUNDS -INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
ASSETS:						
Cash	\$ -	\$ -	\$ -	\$ 64,018	\$ -	\$ 64,018
Inventory	-	6,507	2,457	-	455,162	464,126
Total assets	\$ -	\$ 6,507	\$ 2,457	\$ 64,018	\$ 455,162	\$ 528,144
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ 566	\$ 5,026	\$ 67,760	\$ 73,352
Due to other funds	-	61	1,891	-	84,337	86,289
Total liabilities	-	61	2,457	5,026	152,097	159,641
NET ASSETS:						
Unrestricted	-	6,446	-	58,992	303,065	368,503
Total net assets	-	6,446	-	58,992	303,065	368,503
Total liabilities and net assets	\$ -	\$ 6,507	\$ 2,457	\$ 64,018	\$ 455,162	\$ 528,144

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
OPERATING REVENUES:						
Charges for services	\$ -	\$ 54,767	\$ 3,231	\$ 68,695	\$ 818,388	\$ 945,081
OPERATING EXPENSES:						
Contractual expenses	-	55,000	3,231	73,014	796,104	927,349
Operating income (loss)	-	(233)	-	(4,319)	22,284	17,732
Net assets - beginning of the year	-	6,679	-	63,311	280,781	350,771
Net assets - end of the year	\$ -	\$ 6,446	\$ -	\$ 58,992	\$ 303,065	\$ 368,503

CITY OF NIAGARA FALLS, NEW YORK
COMBINING STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Copier Charges	Postage	Stationary	Telephone	Central Garage	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Cash received for services provided	\$ -	\$ 54,767	\$ 3,231	\$ 68,695	\$ 818,388	\$ 945,081
Cash payments for contractual expenses	-	(54,939)	(3,231)	(72,194)	(818,388)	(948,752)
Net cash used by operating activities	-	(172)	-	(3,499)	-	(3,671)
Net decrease in cash	-	(172)	-	(3,499)	-	(3,671)
Cash - beginning of the year	-	172	-	67,517	-	67,689
Cash - end of the year	\$ -	\$ -	\$ -	\$ 64,018	\$ -	\$ 64,018
Reconciliation of income (loss) from operations to net cash used by operating activities:						
Income (loss) from operations	\$ -	\$ (233)	\$ -	\$ (4,319)	\$ 22,284	\$ 17,732
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:						
Changes in assets and liabilities:						
Decrease (increase) in:						
Inventory	-	-	(1,014)	-	-	(1,014)
Increase (decrease) in:						
Accounts payable	-	-	510	820	4,796	6,126
Due to other funds	-	61	504	-	(27,080)	(26,515)
Net cash used by operating activities	\$ -	\$ (172)	\$ -	\$ (3,499)	\$ -	\$ (3,671)

See independent auditor's report

SECTION C
FEDERAL FINANCIAL ASSISTANCE

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YER ENDED DECEMBER 31, 2009

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce</u>			
<i>Direct Program:</i>			
Foreign-Trade Zones in U.S.	11.111	N/A	\$ 40,420
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs:</i>			
Community Development Block Grant	14.218*	N/A	2,241,026
Emergency Shelter Grants Program	14.231	N/A	94,552
HOME Investment Partnership Program	14.239	N/A	771,347
Moderate Rehabilitation (A & B)	14.856	N/A	81,818
Section 8 - HCV	14.871	N/A	3,433,666
Community Development Block Grant-Recovery Act Funded	14.253*	N/A	655,267
Homelessness Prevention and Rapid Rehousing Recovery Act Funded	14.257	N/A	7,166
<i>Passed through New York State:</i>			
Section 8 Niagara County	14.871	NY904	239,892
<u>U.S. Department of Justice</u>			
<i>Direct Program:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738*	N/A	5,276
Edward Byrne Memorial Justice Assistance Grant Program-Recovery Act Funded	16.738*	N/A	100,997
<i>Passed through New York State:</i>			
Legal Assistance for Victims	16.524	VW08558940	31,140
Asset Forfeiture	16.581	N/A	46,622
GREAT - Gang Resistance Education and Related Training	16.737	N/A	6,784
<u>U.S. Department of Homeland Security</u>			
<i>Passed through New York State:</i>			
Homeland Security Grant	97.067	N/A	381,051
<i>Passed through Federal Emergency Management Agency:</i>			
Assistance to Firefighters Grant	97.044	2008-M7-0001GF	365,382

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YER ENDED DECEMBER 31, 2009

U.S. Department of Transportation

Passed through New York State:

Highway Planning and Construction	20.205*	Various	3,166,129
Highway Planning and Construction-Recovery Act Funded	20.205*	Various	1,571,583

U.S. Department of Energy

Direct Program:

Energy Efficiency and Conservation Block Grant Program-Recovery Act Funded	81.128	N/A	15,220
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U.S. Department of Interior

Passed through New York State:

Historic Preservation Fund Grants-In-Aid	15.904	CLG-08-07	<u>5,000</u>
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Total Expenditures of Federal Awards			<u>\$ 13,260,338</u>
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* Denotes Major Program

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs administered by the City of Niagara Falls, New York, (the City), an entity as defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

The amounts reported as federal expenditures were obtained from the general ledger detail, which is the source of the City's basic financial statements.

NOTE 3 - MAJOR PROGRAM DETERMINATION

All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs, and all federal programs with expenditures exceeding the greater of .3% of the total federal awards or \$100,000 are considered Type B programs. These programs were then further evaluated and major programs were selected.

SECTION D
INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

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

The Honorable Members of City Council
City of Niagara Falls, New York

We have audited the financial statements of the City of Niagara Falls, New York, (the City) as of and for the year ended December 31, 2009 and have issued our report thereon dated June 10, 2010. We conducted our 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 our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated June 10, 2010.

This report is intended solely for the information and use of the members of the City Council, management, others within the City, 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.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
June 10, 2010



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control Over Compliance
In Accordance with OMB Circular A-133**

The Honorable Members of City Council
City of Niagara Falls, New York

Compliance

We have audited the compliance of the City of Niagara Falls, New York, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of audit 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 City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our 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 we 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 the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the City 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 our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

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

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

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
June 10, 2010

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes ✓ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___ Yes ✓ None

Noncompliance material to financial statements noted?

___ Yes ✓ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes ✓ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) ___ Yes ✓ None

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 section 510(a) of Circular A-133? ___ Yes ✓ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
16.738	Edward Byrne Memorial Justice Assistance Grant Program
14.218/14.253	Community Development Block Grants

Dollar threshold used to distinguish between Type A and type B programs (3% of total federal awards)

\$ 397,810

Auditee qualified as low-risk auditee?

✓ Yes ___ No

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

II. FINDINGS - FINANCIAL STATEMENT AUDIT

No findings were noted in the current year.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings or questioned costs were noted in the current year.

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. FINDINGS - FINANCIAL STATEMENT AUDIT

No findings were noted in the prior year.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings or questioned costs were noted in the prior year.

SECTION E
NYSBOT STATE SINGLE AUDIT PROGRAM



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Compliance and
Internal Control Over State Transportation Assistance Expended
Based on an Audit of Basic Financial Statements Performed in
Accordance with Government Auditing Standards**

The Honorable Members of City Council
City of Niagara Falls, New York

Compliance

We have audited the compliance of the City of Niagara Falls, New York, (the City) with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to the major state transportation assistance program for the year ended December 31, 2009. The major state transportation assistance program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance program is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our 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 Draft 43 of NYCRR. Those standards and Draft Part 43 require that we 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 the major state transportation assistance program has occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state transportation assistance program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the state transportation assistance program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the state transportation assistance program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with Draft Part 43 of NYCRR. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state transportation assistance program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a state transportation assistance program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a state transportation assistance program will not be prevented or detected by the entity's internal control.

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

Schedule of State Transportation Assistance Expended

We have audited the basic financial statements of the City of Niagara Falls as of and for the year ended December 31, 2009, and have issued our report thereon dated June 10, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the City Council, management, others within the City, and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
June 10, 2010

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Grantor/Program Title</u>	<u>NYSDOT Contract/Reference Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>		
Passed through New York State Department of Transportation:		
Lockport Street Bridge	D012139*	\$ 936,734
Buffalo Ave - I-190 to 10 th Street	D022276	651,831
CHIPs Aid	N/A	987,518
Arterial Maintenance	N/A	401,625
10 th Street - Niagara Street to Cedar Avenue	D024729	39,102
NF Custom House	D031554	216,563
NF Transportation Center	D017307	639,045
Lewiston Road/Route 104	D013786	714,216
Lockport Street	D024732	274,275
CSX Railroad – Over Rt 104	BINS	
	7036261&7036262	107,440
Recovery Act Fund:		
Packard Rd, 56 th St, Lindberg Ave, Highland Ave.	D032160	704,192
Pine Ave, 24 th St.	D032165	104,049
Main St, Ontario Ave, 11 th St.	D032161*	<u>763,342</u>
Total Expenditures of NYSDOT Assistance		<u>\$6,539,932</u>

*Denotes major program.

CITY OF NIAGARA FALLS, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION
ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of state transportation assistance expended by the City of Niagara Falls, New York, (the City) an entity as defined in Note 1 to the City's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of state transportation assistance expended is presented using the accrual basis of accounting.

CITY OF NIAGARA FALLS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDIT RESULTS

1. No significant deficiencies relating to the audit of the schedule of state transportation assistance expended are reported in the independent auditor's report on compliance and internal control over state transportation assistance expended based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*.
2. The auditor's report on compliance for the major state transportation assistance program for the City of Niagara Falls expresses an unqualified opinion.
3. No audit findings relative to the major state transportation assistance program are reported in this schedule.
4. The major state transportation assistance programs were the Lockport Street Bridge and Main Street/Ontario Avenue/11th Street.

COMPLIANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were noted in the prior or current years.