

**DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK**

**FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

**DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK**

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SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

District Heating Division of the
Board of Public Utilities of the
City of Jamestown
Jamestown, New York

We have audited the accompanying statements of net assets of the District Heating Division of the Board of Public Utilities of the City of Jamestown, New York (the Division), one of the five divisions comprising a blended component unit of the City of Jamestown, New York, as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 3 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
April 8, 2011

Management's Discussion and Analysis
District Heating Division Board of Public Utilities
City of Jamestown, New York
Year ended December 31, 2010

The following is a narrative overview and analysis of the Division's financial performance for the year ended December 31, 2010. This section is only an introduction and should be read in conjunction with the Division's financial statements, which immediately follow this section.

Financial Highlights

Following are the financial highlights of the Division for the year ended December 31, 2010.

- Heat sales for 2010 were up \$148,679, or 9.8% compared to 2009. Chiller sales for 2010 were up \$46,896, or 50.6% compared to 2009.
- Energy purchased for heating customers was up \$241,310, or 42.1% compared to last year.
- Depreciation expense was \$351,336, down slightly from 2009.
- Net income was \$279,470, down \$69,642 compared to 2009.
- The year-end cash position was \$2,055,758, compared to \$758,398 at the beginning of the year. This cash position includes unspent proceeds of serial bonds in the amount of \$1,729,035.
- Capital improvements of \$13,093 and construction work in progress of \$1,753,526 were added to the Division during 2010. These improvements were paid for with cash from operations and bond proceeds, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The Division's basic financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the Division's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Division is improving or deteriorating.

Condensed Statements of Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 2,435,453	\$ 1,059,475
Capital assets	<u>4,792,686</u>	<u>3,377,403</u>
Total assets	<u>\$ 7,228,139</u>	<u>\$ 4,436,878</u>
Current liabilities	\$ 753,274	\$ 756,991
Non-current liabilities	<u>3,827,010</u>	<u>1,311,502</u>
Total liabilities	<u>4,580,284</u>	<u>2,068,493</u>
Net assets:		
Invested in capital assets, net of related debt	481,184	1,397,984
Unrestricted	<u>2,166,671</u>	<u>970,401</u>
Total net assets	<u>2,647,855</u>	<u>2,368,385</u>
Total liabilities and net assets	<u>\$ 7,228,139</u>	<u>\$ 4,436,878</u>

The statement of revenues, expenses and changes in net assets shows the business-type activity of the Division and provides information regarding income and expenses that affect net assets.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 1,901,871	\$ 1,701,009
Operating expenses	<u>1,507,732</u>	<u>1,280,978</u>
Operating income	394,139	420,031
Non-operating expense, net	<u>(114,669)</u>	<u>(70,919)</u>
Change in net assets	<u>\$ 279,470</u>	<u>\$ 349,112</u>

The summary of accounting policies and notes to the financial statements provide additional information that is essential for a full and complete understanding of the information provided in the financial statements. In addition to the basic financial statements, summary of accounting policies and accompanying notes, this report also includes certain supplemental information that may be beneficial to the reader.

Capital Assets and Debt Administration

A portion of the Division's net assets is the investment in capital assets, net of related debt of \$481,184 or 6.7% of total assets. The investment in capital assets includes distribution mains and services and chiller equipment. During 2010 and 2009, the Division added \$1,766,619, including construction in process of \$1,753,526 and \$94,709, respectively in capital assets.

Generally, the Division finances its additions through borrowings from the Water Division. The terms of these borrowings are described in greater detail in Note 4.

A new public improvement serial bond for \$3,000,000 was issued during the current year for construction of a natural gas boiler plant to be utilized as an alternate heat source.

Economic Factors That Will Affect the Future

The Division remains committed to developing and enlarging its customer base for both heating and cooling services. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the City of Jamestown, the price of competing heat and cooling sources, and, most importantly, the final decision related to building the oxy-coal CFB power plant. The Division will approach adding customers and executing capital expenditures less aggressively over the next couple of years until more clarity is provided from the oxy-coal project.

Contacting the District Heating Division Board of Public Utilities' Financial Management

This financial report is designed to provide a general overview of the Division's finances and to show the Division's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, Mike Anderson, at PO Box 700, 92 Steele Street, Jamestown, NY 14702-0700.

DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
STATEMENTS OF NET ASSETS
DECEMBER 31,

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 809,284	\$ 758,398
Cash and cash equivalents - restricted	1,246,474	-
Accounts receivable		
Trade	201,862	122,946
Related parties	25,111	19,025
Prepaid expenses	-	119
Due from primary government	78,789	83,106
Inventories	73,933	75,881
Total current assets	<u>2,435,453</u>	<u>1,059,475</u>
Utility plant:		
In service - at cost	8,474,072	8,460,979
Construction work in progress	1,753,526	-
Less: accumulated depreciation	5,434,912	5,083,576
Total utility plant	<u>4,792,686</u>	<u>3,377,403</u>
Total assets	<u>7,228,139</u>	<u>4,436,878</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current maturities of long-term debt	484,492	667,917
Accounts payable	190,055	75,487
Accrued interest payable	78,727	13,587
Total current liabilities	<u>753,274</u>	<u>756,991</u>
Non-current liabilities:		
Note payable - Water Division, less current maturities	192,010	611,502
Long-term debt, less current maturities	3,635,000	700,000
Total non-current liabilities	<u>3,827,010</u>	<u>1,311,502</u>
Total liabilities	<u>4,580,284</u>	<u>2,068,493</u>
Net assets:		
Invested in capital assets, net of related debt	481,184	1,397,984
Unrestricted	2,166,671	970,401
Total net assets	<u>\$ 2,647,855</u>	<u>\$ 2,368,385</u>

See notes to basic financial statements

DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ <u>1,901,871</u>	\$ <u>1,701,009</u>
Operating expenses:		
Cost of energy	815,027	573,717
Station supplies	87,504	87,504
Depreciation	351,336	352,413
Administrative and general	115,002	119,084
Contributions in lieu of taxes	106,690	112,361
Repairs and maintenance	32,173	35,899
Total operating expenses	<u>1,507,732</u>	<u>1,280,978</u>
Operating income	<u>394,139</u>	<u>420,031</u>
Non-operating revenue (expense):		
Gain on disposal of fixed assets	-	13,845
Interest income	10,007	3,735
Interest on long-term debt	<u>(124,676)</u>	<u>(88,499)</u>
Total non-operating revenue (expense)	<u>(114,669)</u>	<u>(70,919)</u>
Change in net assets	279,470	349,112
Net assets - beginning of year	<u>2,368,385</u>	<u>2,019,273</u>
Net assets - end of year	<u>\$ 2,647,855</u>	<u>\$ 2,368,385</u>

See notes to basic financial statements

DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,816,869	\$ 1,729,962
Cash payments for contractual expenses	<u>(1,035,444)</u>	<u>(1,194,589)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	781,425	535,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,766,619)	(94,709)
Proceeds from sale of capital assets	-	85,201
Proceeds from serial bonds	3,000,000	-
Principal payments on long-term debt	(667,917)	(662,396)
Interest paid on long-term debt	<u>(59,536)</u>	<u>(87,734)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>505,928</u>	<u>(759,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	10,007	3,735
Change in restricted cash	<u>(1,246,474)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,236,467)</u>	<u>3,735</u>
Decrease in cash and cash equivalents	50,886	(220,530)
Cash and cash equivalents - beginning of year	<u>758,398</u>	<u>978,928</u>
Cash and cash equivalents - end of year	<u><u>\$ 809,284</u></u>	<u><u>\$ 758,398</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 394,139	\$ 420,031
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	351,336	352,413
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(85,002)	28,953
Prepaid expenses	119	9,271
Due from primary government	4,317	(83,106)
Inventories (at average cost)	1,948	(75,881)
Increase (decrease) in:		
Accounts payable	114,568	(71,430)
Deferred revenue	<u>-</u>	<u>(44,878)</u>
Net cash provided by operating activities	<u><u>\$ 781,425</u></u>	<u><u>\$ 535,373</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest on long-term debt	<u><u>\$ 124,676</u></u>	<u><u>\$ 88,499</u></u>

See notes to basic financial statements

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

BUSINESS

The District Heating Division of the Board of Public Utilities of the City of Jamestown (BPU) distributes heating and cooling to consumers in and around the City of Jamestown. The Division grants credit for sales made.

The District Heating Division is one of five divisions' that comprise the Board of Public Utilities which is a blended component unit of the City of Jamestown.

BASIS OF PRESENTATION

The financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Division is engaged only in business-type activities as defined in GASB Statement No. 34. In compliance with GASB Statement No. 20, the Division applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict with or contradict GASB pronouncements.

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid. Nonexchange transactions in which the Division gives or receives value without directly receiving or giving equal value in exchange include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Division distinguishes operating revenues and expenses from nonoperating items in its financial statements. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Division's principal on-going operations. The principal operating revenue of the Division's funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual cost is unavailable. Capitalization thresholds (the estimated useful life above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Service lines	1 year	straight-line	20 years
Installment of meters and accessory equipment	1 year	straight-line	20 years
Chiller	1 year	straight-line	25 years
Equipment	1 year	straight-line	5-20 years

REVENUE RECOGNITION

Customers are billed based on usage. Revenue is recognized based upon billings.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Division considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

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 borrowings, therefore, unexpended bond proceeds in the Division are restricted.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at their net realizable value. The Division's policy is to accrue a penalty on past due customer receivables. Management determined that no provision for uncollectible accounts was necessary as of December 31, 2010 and 2009 since amounts can be relieved on the City tax roll for collection.

INVENTORY

Inventory is valued at cost utilizing the average cost method for the Division.

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

UTILIZATION OF ESTIMATES

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

NET ASSETS

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

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

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

NOTE 2 - DISTRICT HEATING CAPITAL ASSETS

Listed below are the major classes of plant assets:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/10</u>
Mains	\$ 5,971,334	\$ -	\$ -	\$ 5,971,334
Service lines	999,033	-	-	999,033
Installation of meters and accessory equipment	90,017	13,093	-	103,110
Chiller	1,299,838	-	-	1,299,838
Equipment	100,757	-	-	100,757
Construction work in progress	<u>-</u>	<u>1,753,526</u>	<u>-</u>	<u>1,753,526</u>
Total	8,460,979	1,766,619	-	10,227,598
Less: accumulated depreciation	<u>5,083,576</u>	<u>351,336</u>	<u>-</u>	<u>5,434,912</u>
Total utility plant	<u>\$ 3,377,403</u>	<u>\$ 1,415,283</u>	<u>\$ -</u>	<u>\$ 4,792,686</u>

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DISTRICT HEATING CAPITAL ASSETS (Continued)

Depreciation expense totaled \$351,336 and \$352,413 for the years ended 2010 and 2009, respectively.

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

1. CASH AND INVESTMENTS

The Division's investment policies are governed by State statutes because they are a component unit of the City of Jamestown. In addition, the City has its own written investment policy. 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.

Deposits of the Division were fully insured or collateralized by securities held in the name of the City of Jamestown.

2. RECEIVABLES

Major receivables accrued by the Division at December 31:

	<u>2010</u>	<u>2009</u>
General consumer receivable	\$ 201,803	\$ 122,946
Chiller receivables	<u>59</u>	<u>-</u>
Total accounts receivable - trade	\$ <u>201,862</u>	\$ <u>122,946</u>
Receivables from municipality - Heating	\$ 14,414	\$ 8,789
Receivables from municipality - Chiller	32	-
Miscellaneous receivables	<u>10,665</u>	<u>10,236</u>
Total accounts receivable - related parties	\$ <u>25,111</u>	\$ <u>19,025</u>

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LONG TERM OBLIATIONS

Long-term obligations consist of:

	<u>2010</u>	<u>2009</u>
4% related party note, payable to Water Division at \$29,441 monthly, including interest through December 2014 (Note 5)	\$ 611,502	\$ 1,249,419
2.58% Public Improvement Serial Bond, maturing February 2026	700,000	730,000
4.00% Public Improvement Serial Bond, maturing June 2030	<u>3,000,000</u>	<u>-</u>
	4,311,502	1,979,419
Less: current maturities	<u>484,492</u>	<u>667,917</u>
	<u>\$ 3,827,010</u>	<u>\$ 1,311,502</u>

The serial bonds are backed by the full faith and credit of the City of Jamestown.

At December 31, 2010, debt service requirements are as follows:

	Note Payable			Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 299,647	\$ 19,006	\$ 318,653	\$ 65,000	\$ 221,854	\$ 286,854
2012	311,855	6,798	318,653	140,000	153,640	293,640
2013	-	-	-	145,000	147,738	292,738
2014	-	-	-	150,000	141,556	291,556
2015	-	-	-	155,000	135,163	290,163
2016-2020	-	-	-	885,000	569,512	1,454,512
2021-2025	-	-	-	1,085,000	358,131	1,443,131
2026-2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075,000</u>	<u>116,200</u>	<u>1,191,200</u>
Total	<u>\$ 611,502</u>	<u>\$ 25,804</u>	<u>\$ 637,306</u>	<u>\$3,700,000</u>	<u>\$1,843,794</u>	<u>\$ 5,543,794</u>

The Division approved a balloon payment on the related party note in the amount of \$350,000 between District Heat and the Water Division for the year ended December 31, 2011.

NOTE 5 - RELATED PARTY TRANSACTIONS

The District Heating Division provides heating to the Electric and Water Division facilities.

The Electric and Water Divisions of the Board of Public Utilities perform various services for the District Heating Division. They also provide electric and water for daily operational needs.

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

At the end of 2010 and 2009, the District Heating Division owed the Water Division \$611,502 and \$1,249,419, respectively, due to interdivisional borrowings. The terms of repayment are described in Note 4.

The Division made payments in lieu of taxes to the City of Jamestown in the amount of \$106,690 and \$112,361 for fiscal years ending December 31, 2010 and 2009, respectively. This payment is calculated based on 9% of sales of the Division.

NOTE 6 - COMMITMENTS

The District Heating Division is committed to purchase its heat from the Electric Division. These purchases totaled \$770,757 and \$539,229 for the years ended December 31, 2010 and 2009, respectively. The District Heating Division is also committed to pay a monthly usage fee to the Electric Division. This fee totaled \$87,504 for the years ended December 31, 2010 and 2009.

During the current year the Division committed to the installation of a natural gas boiler plant with an estimated cost of \$2,300,000. The balance of work to be completed at December 31, 2010 totals to \$546,474. These improvements will be funded with the proceeds from the serial bond issued in 2010.

NOTE 7 - FUTURE GASB PRONOUNCEMENTS

A. THE FINANCIAL REPORTING ENTITY: OMNIBUS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FUTURE GASB PRONOUNCEMENTS

Component units are legally separate organizations that state and local governments include in their financial reports. Statement No. 61 modifies the existing criteria for inclusion of organizations that are “fiscally dependent” on a government. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (*i.e.*, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, with earlier application encouraged.

DISTRICT HEATING DIVISION
BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FUTURE GASB PRONOUNCEMENTS (Continued)

B. CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS.

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure.

While the guidance included largely has been taken "as is" from the original FASB and AICPA pronouncements, it has been modified when appropriate to relate specifically to the governmental environment to increase its usefulness to this audience. By incorporating and maintaining this guidance in a single source, the Statement reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. It also eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.