

**AUDITED
FINANCIAL STATEMENTS**

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

DECEMBER 31, 2021

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

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Basic Financial Statements	9-14

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements 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 and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control . Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Freed Maxick CPAs, P.C.

Batavia, New York
May 11, 2022

**Management's Discussion and Analysis
District Heating Division Board of Public Utilities
City of Jamestown, New York
Year ended December 31, 2021**

The following is a narrative overview and analysis of the Division's financial performance for the year ended December 31, 2021. 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 year end December 31, 2021.

- The change in net position for 2021 was a decrease of \$97,180 as compared to last year's net increase of \$2,635
- Heat sales for 2021 was fairly consistent with 2020.
- Chiller operations were discontinued effective January 1, 2021. As a result, chiller equipment was written down to its estimated salvage value and the Division recognized a loss as a result of the write down of \$131,828.
- Cost of energy increased \$53,494 or 11% compared to last year. Waste heat from the power plant decreased due to less power plant generation hours compared to the prior year.
- The year-end cash position was \$2,965,877 compared to \$913,351 at the beginning of the year. The increase is the result of the sale of U.S. Treasury notes of \$1,998,011.

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.

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

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 3,156,670	\$ 3,107,388	\$ 3,069,033
Capital assets	<u>2,104,645</u>	<u>2,401,705</u>	<u>2,613,065</u>
Total assets	<u>\$ 5,261,315</u>	<u>\$ 5,509,093</u>	<u>\$ 5,682,098</u>
Current liabilities	\$ 240,858	\$ 222,291	\$ 238,620
Non-current liabilities	<u>1,526,091</u>	<u>1,694,659</u>	<u>1,853,373</u>
Total liabilities	<u>1,766,949</u>	<u>1,916,950</u>	<u>2,091,993</u>
Deferred inflows of resources	<u>4,905</u>	<u>5,502</u>	<u>6,099</u>
Net position			
Net investment in capital assets	409,986	548,332	607,531
Unrestricted	<u>3,079,475</u>	<u>3,038,309</u>	<u>2,976,475</u>
Total net position	<u>\$ 3,489,461</u>	<u>\$ 3,586,641</u>	<u>\$ 3,584,006</u>

The current ratio for 2021 was 13.1 as compared to last year's current ratio of 14.0.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,268,052	\$ 1,267,616	\$ 1,418,491
Operating expenses	<u>1,183,059</u>	<u>1,223,776</u>	<u>1,316,874</u>
Operating income	84,993	43,840	101,617
Nonoperating expense, net	<u>(50,345)</u>	<u>(41,205)</u>	<u>(37,281)</u>
Change in net position	<u>\$ 34,648</u>	<u>\$ 2,635</u>	<u>\$ 64,336</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.

Capital Assets and Debt Administration

A portion of the Division's net position is the net investment in capital assets, net of related debt of \$409,986 or 12% of total assets. The investment in capital assets includes distribution mains and services and chiller equipment. During 2021 and 2020, the Division added \$2,755 and \$16,878, respectively in capital assets and construction in process. The system is approximately 80% depreciated. Repair and Maintenance costs decreased \$59,631 or 44.5% as compared to 2020.

Economic Factors That Will Affect the Future

The Division remains challenged by competitiveness related to the cost of thermal energy supply and by continued aging of the underground piping infrastructure. In order to sustain the system looking forward and to ultimately consider expanding the service, work must be accomplished to develop a low-cost option for the delivery of hot water to our customers. Operating with natural gas as our fuel source does not provide sufficient revenues needed to replace aged piping that is currently beyond predicted useful life. The New York State Climate Leadership and Community Protection Act also provides requirements that must be considered for the future of the Division; namely, that natural gas as a fuel source must be phased out within the next 10 -20 years. This anticipated transition will apply not only for the District Heat thermal supply from the power plant, but also to any replacement heating systems that current customers would potentially consider installing themselves.

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 Finance and Customer Accounts Manager, Kelly Hawkins, 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 POSITION
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,965,877	\$ 913,351
Investments	-	1,998,011
Receivables		
Trade	98,155	87,183
Related parties	33,486	42,193
Due from City of Jamestown	16,525	22,906
Prepaid items	2,297	2,297
Inventories	40,330	41,447
Total current assets	<u>3,156,670</u>	<u>3,107,388</u>
UTILITY PLANT:		
Land	6,335	6,335
In service - at cost	10,588,617	11,801,217
Construction work in progress	-	16,947
	<u>10,594,952</u>	<u>11,824,499</u>
Less: accumulated depreciation	8,490,307	9,422,794
Total utility plant	<u>2,104,645</u>	<u>2,401,705</u>
Total assets	<u>5,261,315</u>	<u>5,509,093</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	63,754	59,628
Accrued interest payable	5,371	1,694
Due to other divisions	3,165	2,255
Current maturities of bonds payable	168,568	158,714
Total current liabilities	<u>240,858</u>	<u>222,291</u>
NONCURRENT LIABILITIES:		
Bonds payable, less current maturities	<u>1,526,091</u>	1,694,659
Total noncurrent liabilities	<u>1,526,091</u>	<u>1,694,659</u>
Total liabilities	<u>1,766,949</u>	<u>1,916,950</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - debt	<u>4,905</u>	5,502
Total deferred inflows of resources	<u>4,905</u>	<u>5,502</u>
NET POSITION		
Net investment in capital assets	409,986	548,332
Unrestricted	3,079,475	3,038,309
Total net position	<u>\$ 3,489,461</u>	<u>\$ 3,586,641</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 POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 1,268,052	\$ 1,267,616
OPERATING EXPENSES		
Cost of energy	557,921	504,427
Station supplies	94,644	94,190
Depreciation	173,301	228,238
Administrative and general	202,681	178,088
Contributions in lieu of taxes	79,984	84,674
Repairs and maintenance	74,528	134,159
Total operating expenses	<u>1,183,059</u>	<u>1,223,776</u>
Income from continuing operations	84,993	43,840
DISCONTINUED OPERATIONS (NOTE 3)		
Loss from discontinued operations	<u>(131,828)</u>	<u>-</u>
Operating income (loss)	(46,835)	43,840
NON-OPERATING REVENUES (EXPENSES)		
Interest income	594	13,108
Interest on long-term debt	(50,939)	(51,820)
Change in fair value of investments	-	(2,493)
Total non-operating expenses, net	<u>(50,345)</u>	<u>(41,205)</u>
Change in net position	(97,180)	2,635
Net position - beginning of year	<u>3,586,641</u>	<u>3,584,006</u>
Net position - end of year	<u>\$ 3,489,461</u>	<u>\$ 3,586,641</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>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,272,168	\$ 1,304,701
Cash payments for contractual expenses	(923,621)	(928,921)
Cash paid for payments in lieu of taxes	(79,984)	(84,674)
Net cash provided by operating activities	<u>268,563</u>	291,106
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,755)	(16,878)
Loss on disposal of assets	(5,314)	-
Principal payments on long-term debt	(158,714)	(152,161)
Interest paid on long-term debt	(47,859)	(57,242)
Net cash used by capital and related financing activities	<u>(214,642)</u>	(226,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	594	15,601
Purchases of investments	-	(1,999,612)
Proceeds from sale from investments	1,998,011	679,002
Net cash provided (used) by investing activities	<u>1,998,605</u>	<u>(1,305,009)</u>
Net increase (decrease) in cash and cash equivalents	2,052,526	(1,240,184)
Cash and cash equivalents - beginning	<u>913,351</u>	<u>2,153,535</u>
Cash and cash equivalents - ending	<u>\$ 2,965,877</u>	<u>\$ 913,351</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (46,835)	\$ 43,840
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	173,301	228,238
Loss from discontinued operations	131,828	-
(Increase) decrease in accounts receivable	(2,265)	30,829
Decrease in due from City of Jamestown	6,381	6,256
Decrease in inventory	1,117	-
Increase (decrease) in accounts payable	4,126	(15,416)
Increase (decrease) in due to other divisions	910	(2,641)
Net cash provided by operating activities	<u>\$ 268,563</u>	<u>\$ 291,106</u>

See notes to basic financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BUSINESS

The District Heating Division (Division) of the Board of Public Utilities of the City of Jamestown, New York (BPU) distributes heating to consumers in and around the City of Jamestown, New York (City). 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 reported as a business-type activity of the City of Jamestown.

B. 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. 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 is a result of 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.

C. REVENUE RECOGNITION

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

D. CASH AND CASH EQUIVALENTS

For purposes of the Statements 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.

E. INVESTMENTS

Investments are reported at fair value; fair value is generally based on market prices.

F. RECEIVABLES

Receivables consist of amounts due from customers for services provided. The Division's policy is to accrue a penalty on past due customer receivables. Management determined that no provision for uncollectible receivables was necessary as of December 31, 2021 and 2020.

G. 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 BASIC FINANCIAL STATEMENTS**

H. 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>Depreciation Method</u>	<u>Estimated Useful Life</u>
Structures, mains and service lines	straight-line	20 years
Installment of meters and accessory equipment	straight-line	20 years
Chiller	straight-line	25 years
Equipment	straight-line	5-20 years

I. NET POSITION

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

Net investment in capital assets - 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 the net investment in capital assets.

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

J. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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 the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. ACCOUNTING PRONOUNCEMENTS

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Division, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for the year ending December 31, 2021, except for paragraph 11b, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending December 31, 2022.

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

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS

The Division’s investment policies are governed by State statutes because they are a component unit of the City. Monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The BPU Finance and Customer Accounts Manager is authorized to use interest bearing demand accounts and certificates of deposit. 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 at December 31, 2021 and 2020.

Investment and Deposit Policy

The Division follows an investment and deposit policy, the overall objective of which is to adequately and 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 City of Jamestown on behalf of the Division.

Investments:

The Division, in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, reports investments at fair value in the Statements of Net Position. These investments are considered Level 1 in the fair value hierarchy established under U.S. GAAP.

The Division held no investments as of December 31, 2021. The following table presents the investments and maturities of the Division’s securities with interest rate risk as of December 31, 2020.

Investment Type	Fair Value	2020 Investment Maturities			
		Less Than 6 Months	6 Months to 1 year	1-5 years	More than 5 years
U.S. Treasuries	\$ 1,998,011	-	\$ 1,998,011	-	-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Division limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a budgetary or economic cycle. The investment policy does not strictly limit the maximum maturity of investments.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Division limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. Treasury notes. U.S. Treasury notes are rated AAA

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Division will not be able to recover the value of its investments that are in possession of an outside party. U.S. Treasury notes are not subject to custodial risk.

Concentration of credit risk is the risk that the Division has a high percentage of its investments invested in one type of investment. The Division’s investment policy requires diversification of investments to avoid unreasonable risk. U.S. Treasury notes are in accordance with the Division’s Investment Policy.

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

B. RECEIVABLES

Major receivables accrued by the Division at December 31:

	<u>2021</u>	<u>2020</u>
General consumer trade receivable	\$ <u>98,155</u>	\$ <u>87,183</u>
Receivables from related parties	\$ <u>33,486</u>	\$ <u>42,193</u>

C. CAPITAL ASSETS

Capital asset activity for the Division for the year ended December 31, 2021 was as follows:

	Balance <u>01/01/2021</u>	Additions	Deletions	Balance <u>12/31/2021</u>
Land	\$ 6,335	\$ -	\$ -	\$ 6,335
Construction work in progress	16,947	-	16,947	-
Structures	8,623	1,150	-	9,773
Mains	6,120,740	-	-	6,120,740
Service lines	999,747	-	-	999,747
Installation of meters and accessory equipment	265,779	1,605	-	267,384
Chiller	1,350,395	-	1,215,355	135,040
Equipment	100,757	-	-	100,757
Power plant equipment	<u>2,955,176</u>	<u>-</u>	<u>-</u>	<u>2,955,176</u>
Total capital assets	11,824,499	2,755	1,232,302	10,594,952
Less: accumulated depreciation	<u>9,422,794</u>	<u>173,301</u>	<u>1,105,788</u>	<u>8,490,307</u>
Total capital assets, net	<u>\$ 2,401,705</u>	<u>\$ (170,546)</u>	<u>\$ 126,514</u>	<u>\$ 2,104,645</u>

Capital asset activity for the Division for the year ended December 31, 2020 was as follows:

	Balance <u>01/01/2020</u>	Additions	Deletions	Balance <u>12/31/2020</u>
Land	\$ 6,335	\$ -	\$ -	\$ 6,335
Construction work in progress	11,997	4,950	-	16,947
Structures	7,876	747	-	8,623
Mains	6,120,740	-	-	6,120,740
Service lines	999,747	-	-	999,747
Installation of meters and accessory equipment	254,598	11,181	-	265,779
Chiller	1,350,395	-	-	1,350,395
Equipment	100,757	-	-	100,757
Power plant equipment	<u>2,955,176</u>	<u>-</u>	<u>-</u>	<u>2,955,176</u>
Total capital assets	11,807,621	16,878	-	11,824,499
Less: accumulated depreciation	<u>9,194,556</u>	<u>228,238</u>	<u>-</u>	<u>9,422,794</u>
Total capital assets, net	<u>\$ 2,613,065</u>	<u>\$ (211,360)</u>	<u>\$ -</u>	<u>\$ 2,401,705</u>

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

Depreciation expense totaled \$173,301 and \$228,238 for the years ended December 31, 2021 and 2020, respectively.

D. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
5.00% 2019 Refunding Bonds, maturing June 2030	\$ 1,549,987	\$ 1,691,076
Plus: unamortized premium	<u>144,672</u>	<u>162,297</u>
	1,694,659	1,853,373
Less: current maturities	<u>168,568</u>	<u>158,714</u>
Total bonds payable, long-term	<u>\$ 1,526,091</u>	<u>\$ 1,694,659</u>

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

At December 31, 2021, debt service requirements are as follows:

Year ending:	Serial Bonds			
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2022	\$ 150,943	\$ 60,676	\$ 17,625	\$ 229,244
2023	157,500	52,965	17,625	228,090
2024	162,544	44,964	17,625	225,133
2025	174,000	36,550	17,625	228,175
2026	165,000	28,075	17,625	210,700
2027-2030	<u>740,000</u>	<u>46,175</u>	<u>56,547</u>	<u>842,722</u>
Total	<u>\$ 1,549,987</u>	<u>\$ 269,405</u>	<u>\$ 144,672</u>	<u>\$ 1,964,064</u>

E. RELATED PARTY TRANSACTIONS

The District Heating Division provides heating to the Electric Division facility.

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. At December 31, 2021 and 2020, Due from other Divisions was \$33,486 and \$42,193, respectively.

The Division made payments in lieu of taxes to the City of Jamestown in the amount of \$79,984 and \$84,674 for years ended December 31, 2021 and 2020, respectively. This payment is calculated based on 9% of sales of the Division.

F. COMMITMENTS

The Division is committed to purchase its heat from the Electric Division. These purchases totaled \$557,921 and \$504,427 for the years ended December 31, 2021 and 2020, respectively. The Division is also committed to pay a monthly usage fee to the Electric Division. This fee totaled \$94,644 and \$94,190 for the years ended December 31, 2021 and 2020, respectively.

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

NOTE 3 – DISCONTINUED OPERATIONS

The Division discontinued its chiller operations effective January 1, 2021 resulting in a loss of \$131,828 as of December 31, 2021. In accordance with Accounting Standards Codification (ASC) 360-10-35, the related chiller equipment was written down to its estimated salvage value.

NOTE 4 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2022 which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.