

***DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
A BLENDED COMPONENT UNIT OF  
THE CITY OF JAMESTOWN, NEW YORK***

***REPORT ON AUDITED  
FINANCIAL STATEMENTS***

***YEARS ENDED  
DECEMBER 31, 2022 AND 2021***

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the financial statements of the District Heating Division - Board of Public Utilities of the City of Jamestown, New York (the Division), one of five divisions comprising a blended component unit of the City of Jamestown, New York, as of and for the year ended December 31, 2022, 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, 2022, and the respective changes in financial position and cash flows for the year 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. 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.

***Prior Period Financial Statements***

The financial statements of the Division as of December 31, 2021 were audited by other auditors whose report dated May 11, 2022 expressed an unmodified opinion on those statements.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 statement 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 generally accepted auditing standards 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

In performing an audit in accordance with generally accepted auditing standards, 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 on pages 3 through 5 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.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
May 17, 2023**

**DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

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**I. Discussion and Analysis**

The following is a discussion and analysis of the Division's financial performance for the year ended December 31, 2022. This section is a summary of the Division's financial activities based on currently known facts, decisions, or conditions. It is based on the financial statements. The results of the current year in comparison with the prior year are discussed in the following paragraphs. This section is only an introduction and should be read in conjunction with the Division's financial statements, which follow this section.

**II. Financial Highlights**

The following items are the financial highlights experienced by the Division during the year ended December 31, 2022:

- The change in net position for 2022 was a decrease of approximately \$73,000 as compared to last year's decrease of \$97,000.
- Operating revenues for 2022 increased approximately \$49,000 or 4% compared with the prior year. This increase was the result of an increase in heat sales.
- 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 in the prior year of approximately \$132,000.
- Cost of energy decreased approximately \$3,000 or 1% compared to the prior year.
- All other expenses increased approximately \$45,000 or 10% compared to the prior year as a result of cost increases.
- The year-end cash position was approximately \$1,172,000 compared to approximately \$2,966,000 at the beginning of the year. The decrease is primarily the result of the purchase of U.S. Treasury notes.

**III. 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.

**A. Reporting the Division as a Whole:**

The statements report information about the entity as a whole using accounting methods similar to those used by private-sector companies.

**1. Condensed Statements of Net Position (figure A-1)**

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.

**2. Condensed Statements of Revenues, Expenses and Changes in Net Position (figure A-2)**

The Statements of Revenues, Expenses and Changes in Net Position shows the amounts of the business activities over the course of the year and information as to how the net position changed during the year.

**DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**IV. Financial Analysis of the Heating Division as a Whole**

**Figure A-1 – Statements of Net Position**

<i>District Heating Division - Board of Public Utilities</i>			
<i>Condensed Statements of Net Position</i>			
	2022	2021	% Change
<b>Assets</b>			
Current and non-current assets	\$ 3,090,200	\$ 3,156,670	-2%
Utility plant, net	1,945,530	2,104,645	-8%
Total assets	<b>\$ 5,035,730</b>	<b>\$ 5,261,315</b>	<b>-4%</b>
<b>Liabilities</b>			
Current liabilities	\$ 264,227	\$ 240,858	10%
Long-term liabilities	1,350,966	1,526,091	-11%
Total liabilities	1,615,193	1,766,949	-9%
<b>Deferred Inflows of Resources</b>	<b>\$ 4,307</b>	<b>\$ 4,905</b>	<b>-12%</b>
<b>Net position</b>			
Net investment in capital assets	419,439	409,986	2%
Unrestricted	2,996,791	3,079,475	-3%
Total net position	3,416,230	3,489,461	-2%
	<b>\$ 5,035,730</b>	<b>\$ 5,261,315</b>	<b>-4%</b>

**Figure A-2 Statements of Revenues, Expenses and Changes in Net Position**

<i>District Heating Division - Board of Public Utilities</i>			
<i>Condensed Statements of Revenue, Expenses and Changes in Net Position</i>			
	2022	2021	% Change
<b>Operating Revenue</b>	<b>\$ 1,316,974</b>	<b>\$ 1,268,052</b>	<b>4%</b>
<b>Operating Expenses</b>			
Cost of energy	554,921	557,921	-1%
Depreciation	173,285	173,301	0%
All other	496,517	451,837	10%
	<b>1,224,723</b>	<b>1,183,059</b>	<b>4%</b>
<b>Discontinued Operations</b>			
Loss from discontinued operations	--	(131,828)	-100%
	--	(131,828)	-100%
<b>Non-operating expenses, net</b>	<b>(165,482)</b>	<b>(50,345)</b>	<b>229%</b>
<b>Change in net position</b>	<b>\$ (73,231)</b>	<b>\$ (97,180)</b>	

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**V. Utility Plant and Debt Administration**

Utility Plant

As depicted in Figure A-3, as of December 31, 2022, the Division had invested approximately \$1,946,000, net of depreciation, in a broad range of its utility plant. Capital additions during the year ended December 31, 2022, totaled approximately \$14,000 which are primarily related to meter purchases and installation.

Long-term Liabilities

As depicted in Figure A-4, as of December 31, 2022, the Division had approximately \$1,526,000 in long-term liabilities, a decrease of approximately \$169,000 when compared with 2021. This decrease primarily related to regular principal payments on long-term debt.

**Figure A-3 – Utility Plant**

<i>District Heating Division - Board of Public Utilities</i>			
<i>Utility Plant</i>			
	2022	2021	Change
Land	\$ 6,335	\$ 6,335	0%
Construction in progress	163	--	n/a
Structures	8,213	9,773	-16%
Mains	6,122,237	6,120,740	0%
Service Lines	999,746	999,747	0%
Other equipment	515,493	503,181	2%
Power plant equipment	2,956,935	2,955,176	0%
Accumulated depreciation	(8,663,592)	(8,490,307)	2%
<b>Utility plant - net</b>	<b>\$ 1,945,530</b>	<b>\$ 2,104,645</b>	<b>-8%</b>

**Figure A-4 – Long-term Liabilities**

<i>District Heating Division - Board of Public Utilities</i>			
<i>Long-term Liabilities</i>			
	2022	2021	Change
Long-term Liabilities	\$ 1,526,000	\$ 1,695,000	-10%

**VI. Factors Bearing on the Division's Future**

At the time these financial statements were prepared and audited, the Division was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Competitiveness related to the cost of thermal energy supply and by continued aging of the underground piping infrastructure.
- Operating with natural gas as the Division's 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. The 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.
- The BPU has been awarded a "Just Transition Site Reuse" grant from NYSERDA. Ramboll Americas Engineering Solutions, Inc., selected through RFP 4563 by NYSERDA, will provide planning and technical support to evaluate retiring fossil fuel energy sources and site reuse opportunities. Ramboll will conduct a District Heating Study to evaluate the feasibility of replacement of the District Heating system energy source from natural gas to an alternate emission free/reduced emissions resource. This study is being performed at no cost to the BPU.

**VII. Contacting the Heating Division's Financial Management**

This financial report is designed to provide citizens, customers, investors and creditors with a general overview of the finances of the District Heating Division and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Attention: Kevin Karr  
Finance and Customer Accounts Manager  
P.O. Box 700, 92 Steele Street  
Jamestown, NY 14702-0700

**DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
STATEMENTS OF NET POSITION  
AS OF DECEMBER 31,**

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<b>Assets</b>	<b>2022</b>	<b>2021</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,172,404	\$ 2,965,877
Accounts receivable		
Trade	89,394	98,155
Related parties	35,447	33,486
Due from City of Jamestown	10,014	16,525
Prepaid items	1,761	2,297
Inventories	--	40,330
<b>Total current assets</b>	<b>1,309,020</b>	<b>3,156,670</b>
<b>Non-current assets:</b>		
Investments	1,781,180	--
<b>Utility plant:</b>		
In service - at cost	10,608,959	10,594,952
Construction work in progress	163	--
	10,609,122	10,594,952
Less accumulated provisions for depreciation	8,663,592	8,490,307
<b>Total utility plant</b>	<b>1,945,530</b>	<b>2,104,645</b>
<b>Total assets</b>	<b>\$ 5,035,730</b>	<b>\$ 5,261,315</b>
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 80,311	\$ 63,754
Accrued interest payable	4,748	5,371
Due to other divisions	4,043	3,165
Current maturities of bonds payable	175,125	168,568
<b>Total current liabilities</b>	<b>264,227</b>	<b>240,858</b>
<b>Long-term liabilities</b>		
Long-term debt, less current maturities	1,350,966	1,526,091
<b>Total long-term liabilities</b>	<b>1,350,966</b>	<b>1,526,091</b>
<b>Total liabilities</b>	<b>1,615,193</b>	<b>1,766,949</b>
<b>Deferred inflows of resources</b>		
Deferred Inflows - debt	4,307	4,905
<b>Total deferred inflows of resources</b>	<b>4,307</b>	<b>4,905</b>
<b>Net Position</b>		
Net investment in capital assets	419,439	409,986
Unrestricted	2,996,791	3,079,475
<b>Total net position</b>	<b>3,416,230</b>	<b>3,489,461</b>
	<b>\$ 5,035,730</b>	<b>\$ 5,261,315</b>

See accompanying independent auditor's report and notes to financial statements.



**DISTRICT HEATING DIVISION - BOARD OF PUBLIC UTILITIES  
 OF THE CITY OF JAMESTOWN, NEW YORK  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 YEARS ENDED DECEMBER 31, Page 7**

	2022	2021
<b>Operating revenues</b>	\$ 1,316,974	\$ 1,268,052
<b>Operating expenses</b>		
Cost of energy	554,921	557,921
Station supplies	134,974	94,644
Depreciation	173,285	173,301
Administrative and general	146,659	202,681
Payments in lieu of taxes	81,979	79,984
Repairs and maintenance	132,905	74,528
<b>Total operating expenses</b>	1,224,723	1,183,059
<b>Income from operations</b>	92,251	84,993
<b>Discontinued operations</b>		
Loss from discontinued operations	--	(131,828)
<b>Operating income (loss)</b>	92,251	(46,835)
<b>Non-operating revenues (expenses)</b>		
Interest income	979	594
Interest on long-term debt	(41,830)	(50,939)
Change in fair value of investments	(124,631)	--
<b>Total non-operating revenues (expenses)</b>	(165,482)	(50,345)
<b>Change in net position</b>	(73,231)	(97,180)
<b>Net position, beginning of year</b>	3,489,461	3,586,641
<b>Net position, end of year</b>	\$ 3,416,230	\$ 3,489,461

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

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	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 1,330,285	\$ 1,272,168
Cash payments for contractual expenses	(911,158)	(923,621)
Cash paid for payments in lieu of taxes	(81,979)	(79,984)
Net cash provided by operating activities	<u>337,148</u>	<u>268,563</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets and equipment purchases	(14,170)	(2,755)
Loss on disposal of assets	--	(5,314)
Interest payments on long-term debt	(43,051)	(47,859)
Principal payments on long-term debt	(168,568)	(158,714)
Net cash used in capital and related financing activities	<u>(225,789)</u>	<u>(214,642)</u>
<b>Cash flows from investing activities</b>		
Interest income from cash deposits	979	594
Purchases of investments	(1,905,811)	--
Proceeds from sale from investments	--	1,998,011
Net cash provided by (used in) investing activities	<u>(1,904,832)</u>	<u>1,998,605</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(1,793,473)</u>	<u>2,052,526</u>
Cash and cash equivalents, beginning of year	<u>2,965,877</u>	<u>913,351</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,172,404</u>	<u>\$ 2,965,877</u>
<b>Reconciliation of income (loss) from operations to net cash provided by operating activities</b>		
Income (loss) from operations	\$ 92,251	\$ (46,835)
Adjustments		
Depreciation	173,285	173,301
Loss from discontinued operations	--	131,828
(Increase) decrease in accounts receivable	6,800	(2,265)
Decrease in due from City of Jamestown	6,511	6,381
Decrease in prepaid expenses	536	--
Decrease in inventory	40,330	1,117
Increase in accounts payable	16,557	4,126
Increase in due to other divisions	878	910
Net cash provided by operating activities	<u>\$ 337,148</u>	<u>\$ 268,563</u>

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

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, New York.

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 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Division considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments, consisting of United State Treasury Notes, are reported at fair value; fair value is generally based on market prices.

Accounts Receivable

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, 2022 and 2021.

Inventory

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

Utility Plant

All utility plant assets are valued at historical cost, or estimated historical cost if actual cost is unavailable and are depreciated on a straight-line basis. Capitalization thresholds (the estimated useful life above which asset acquisitions are added to the capital asset accounts), and estimated useful lives of utility plant assets reported in the financial statements are as follows:

	<u>Estimated useful lives</u>
Structures, mains, and service lines	20 years
Equipment	5-20 years

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Use of Estimates in Preparation for 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.

**Recently Adopted Accounting Standards**

Effective January 1, 2022, the Division implemented the provisions of GASB Statement No. 87, Leases which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, thereby, eliminating the distinction between operating and capital leases. As a result substantially all leases are reported on the statement of net position. The new standard did not have a material impact on the Division.

**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. 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.

**NOTE 2 – CASH AND INVESTMENTS**

The Division's investment policies are governed by State statutes because the BPU is 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, New York at December 31, 2022 and 2021.

**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, New York 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. As of December 31, 2022, the Division held a U.S. Treasury Note with a fair value of \$1,781,180, maturity date of January 31, 2024 and an interest rate of .875%

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

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. Investments in 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.

**NOTE 3 – UTILITY PLANT**

Utility plant asset activity for the Division for the year ended December 31, 2022 was as follows:

	<u>Balance</u> <u>01/01/2022</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>12/31/2022</u>
Land	\$ 6,335	\$ --	\$ --	\$ 6,335
Construction in progress	--	163	--	163
Structures	9,773	200	(1,760)	8,213
Mains	6,120,740	1,497	--	6,122,237
Service lines	999,747	--	(1)	999,746
Installation of meters and accessory equipment	267,384	13,807	(1,495)	279,696
Chiller	135,040	--	--	135,040
Other equipment	100,757	--	--	100,757
Power Plant equipment	2,955,176	1,759	--	2,956,935
	<hr/>			
Total utility plant	10,594,952	17,426	(3,256)	10,609,122
	<hr/>			
Less: accumulated depreciation	8,490,307	173,285	--	8,663,592
	<hr/>			
Total utility plant, net	\$ 2,104,645	\$ (155,859)	\$ (3,256)	\$ 1,945,530
	<hr/>			

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 3 – UTILITY PLANT (CONTINUED)**

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

	Balance <u>01/01/2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2021</u>
Land	\$ 6,335	\$ --	\$ --	\$ 6,335
Construction 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
Other equipment	100,757	--	--	100,757
Power Plant equipment	2,955,176	--	--	2,955,176
	<hr/>			
Total utility plant	11,824,499	2,755	(1,232,302)	10,594,952
	<hr/>			
Less: accumulated depreciation	9,422,794	173,301	(1,105,788)	8,490,307
	<hr/>			
Total utility plant, net	<u>\$ 2,401,705</u>	<u>\$ (170,546)</u>	<u>\$ (126,514)</u>	<u>\$ 2,104,645</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$173,285 and \$173,301, respectively.

**DISTRICT HEATING DIVISION BOARD OF PUBLIC UTILITIES  
OF THE CITY OF JAMESTOWN, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Bonds payable consist of the following at December 31:

	<b>2022</b>	<b>2021</b>
5% 2019 Refunding		
Bonds, maturing 2030	\$ 1,399,044	\$ 1,549,987
Plus: amortized premium	127,047	144,672
	<u>1,526,091</u>	<u>1,694,659</u>
Less: current maturities	175,125	168,568
	<u>\$ 1,350,966</u>	<u>\$ 1,526,091</u>

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

Future debt service payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Premium</b>
2023	\$ 157,500	\$ 52,965	\$ 17,625
2024	162,544	44,964	17,625
2025	174,000	36,550	17,625
2026	165,000	28,075	17,625
2027	175,000	20,450	17,625
2028-2030	565,000	25,752	38,922
Total	<u>\$ 1,399,044</u>	<u>\$ 208,756</u>	<u>\$ 127,047</u>

**Debt Issuance Costs, Premiums, Discounts and Amortization**

Debt issuance costs resulting from bond and other debt refinancing are expensed in the year they were incurred.

Bond premiums earned and bond discounts resulting from bond and other debt refinancing are being amortized over the life of the related debt using the straight-line. These premiums and discounts are deferred and added to or subtracted from the outstanding principal balances for the bonds.

**NOTE 5 – RELATED-PARTY TRANSACTIONS**

The District Heating Division provides heating to the Electric Division facility as described in Note 6.

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, 2022 and 2021, Due from other Divisions was \$35,447 and \$33,486, respectively.

The Division made payments in lieu of taxes to the City of Jamestown, New York in the amount of \$81,979 and \$79,984 for years ended December 31, 2022 and 2021, respectively. This payment is calculated based on approximately 9% of sales of the Division.

**NOTE 6 - COMMITMENTS**

The Division is committed to purchase its heat from the Electric Division. These purchases totaled \$554,921 and \$557,921 for the years ended December 31, 2022 and 2021, respectively. The Division is also committed to pay a monthly usage fee to the Electric Division. This fee totaled \$94,644 and \$94,644 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 7 – 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 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 17, 2023 which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under U.S. generally accepted accounting principles.