

**AUDITED
FINANCIAL STATEMENTS**

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

DECEMBER 31, 2021

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Electric 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 Electric 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Division reported a prior period adjustment related to the reduction of liabilities and increase of net position pertaining to the previous accounting for its excess off-system sales. Our opinion is not modified with respect to this matter.

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, the schedule of the Division's proportionate share of the net pension liability – employees' retirement system, the schedule of the Division's pension contributions – employees' retirement system and the schedule of changes in the Division's total OPEB liability and related ratios 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
Electric 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 the year ended December 31, 2021:

- The Electric Division ended 2021 with a change in net position of \$4,338,205 compared to \$1,116,364 in 2020.
- Operating revenues increased \$3,888,103 compared to 2020. This is primarily due to increases in residential, commercial, and industrial (all approximately 4%) consumption as COVID-19 restrictions were gradually eased. There was also a significant increase in Off-System Sales (35%) and a \$1,306,863 increase in UCAP revenue compared to 2020.
- Cost of power expenses increased \$2,330,711 compared to 2020. This is directly related to operating the power plant more hours as COVID restrictions were gradually lessened.
- Administrative and general expenses decreased \$1,827,265, or 36.8% compared to 2020, largely due to the actuarial decrease in net pension liability, which was measured as of March 31, 2021.
- NYS CLCPA-mandated charges and fees included in the FAC, for ZEC's and REC's was \$2,196,003 in 2021 compared to \$1,701,209 in 2020.

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 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 | \$ 24,858,725 | \$ | 22,002,508 | \$ | 20,234,347 |
| Capital assets | 94,303,352 | | 92,768,182 | | 93,222,603 |
| Charges for future benefits | 777,369 | | 1,029,441 | | 742,948 |
| Other assets | 3,431,550 | | 4,670,544 | | 6,241,242 |
| Total assets | <u>123,370,996</u> | | <u>120,470,675</u> | | <u>120,441,140</u> |
| | | | | | |
| Deferred outflows of resources | <u>5,903,996</u> | | 4,899,058 | | 1,897,267 |
| | | | | | |
| Current liabilities | 4,532,164 | | 4,612,016 | | 5,504,479 |
| Other non-current liabilities | 4,546,434 | | 11,358,151 | | 9,774,856 |
| Total liabilities | <u>9,078,598</u> | | <u>15,970,167</u> | | <u>15,279,335</u> |
| | | | | | |
| Deferred inflows of resources | <u>7,675,571</u> | | 1,216,948 | | 1,032,860 |
| | | | | | |
| Net position: | | | | | |
| Net investment in capital assets | 93,323,224 | | 91,528,516 | | 90,513,399 |
| Restricted | 2,645,626 | | 4,050,515 | | 4,250,574 |
| Unrestricted | 16,551,973 | | 12,603,587 | | 11,262,239 |
| Total net position | <u>\$ 112,520,823</u> | \$ | <u>108,182,618</u> | \$ | <u>106,026,212</u> |

The Division's current ratio is 5.6 at the end of 2021 compared to 4.8 and 3.7 in 2020 and 2019, respectively.

The statement of revenues, expenses 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 | \$ 41,926,291 | \$ | 38,038,188 | \$ | 41,620,331 |
| Operating expenses | <u>37,607,263</u> | | <u>37,041,391</u> | | <u>37,861,373</u> |
| | | | | | |
| Operating income | 4,319,028 | | 996,797 | | 3,758,958 |
| Non-operating revenues (expenses) | <u>19,177</u> | | <u>119,567</u> | | <u>140,534</u> |
| | | | | | |
| Change in net position: | | | | | |
| Change in net investment in fixed assets | 1,794,708 | | 1,015,117 | | 3,102,173 |
| Change in restricted net position | (1,404,889) | | (200,059) | | 22,478 |
| Change in unrestricted net position | <u>3,948,386</u> | | <u>301,306</u> | | <u>774,841</u> |
| | | | | | |
| Change in net position | <u>\$ 4,338,205</u> | \$ | <u>1,116,364</u> | \$ | <u>3,899,492</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

The largest portion of the Division's net position is the net investment in capital assets of \$93,323,224 or 76% of total assets. The investment in capital assets includes construction in process, buildings, vehicles and equipment. During 2021 and 2020, the Division added \$6,472,382 and \$960,476, respectively in capital assets net of depreciation (\$2,790,872 in 2019). The Division disposed of \$1,634,869 and \$671,338, net of construction work in progress placed in service, in 2021 and 2020, respectively (\$1,151,808 in 2019).

Economic Factors That Will Affect the Future

The strength and growth of the Jamestown area commercial and industrial base will continue to be a key economic factor in the years ahead. A steady decline in the number of industrial customers in the JBPU territory over the past several years remains a major concern for the Division. The strong historic industrial base that the JBPU supports will remain extremely important to the viability of the area, including good jobs, a stronger tax base, and a thriving community. The Division will also be challenged by outside influences in the years ahead. Concerns continue to exist related to a potential lack of fuel diversity (generation only with natural gas), as well as increasing New York Independent System Operator (NYISO) charges, increasing National Grid Transmission Service Charges (TSC's), and increasing NYPA hydropower rates. In addition to this, New York State mandates from the Clean Energy Standard and new requirements within the Climate Leadership and Community Protection Act place our customers at risk of increased costs. These charges are projected to increase as much as 60% over the next few years. Customers are currently paying up to 20% more in the monthly Fuel Adjustment Charges because of nuclear plant subsidies (ZEC's) and clean energy contributions (Tier 1 REC, Tier 4 REC, and Off-Shore Wind REC). As the State moves towards a renewable energy future, higher electric rates for our customers are anticipated, which provides the increased likelihood of further challenges to business declines and population losses.

The Division anticipates significant capital investments over the next five years and will require a careful analysis of the financial position and the operations in order to fund these capital investments. A contributing factor to this analysis will be the continued reduction of the Dismantling Fund and the degradation of the Overhaul Reserve Fund; both of these items are expected to negatively impact cash levels.

Contacting the Electric 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.

**ELECTRIC 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 | \$ 15,113,168 | \$ 9,149,722 |
| Cash collateral - derivative | 1,176,049 | 877,315 |
| Receivables, net | 4,505,529 | 4,531,721 |
| Receivables - related parties | 269,338 | 203,221 |
| Inventory (at average cost) | 632,921 | 655,550 |
| Interest receivable | 1,250 | 26,028 |
| Prepaid items | 3,119,809 | 2,783,799 |
| Investments | - | 3,684,458 |
| Other current and accrued assets | 40,661 | 90,694 |
| Total current assets | <u>24,858,725</u> | <u>22,002,508</u> |
| OTHER ASSETS: | | |
| Non-utility property | 414,925 | 414,925 |
| Due from City of Jamestown | 19,205 | 130,068 |
| Investments | 576,129 | - |
| Investments - restricted | 2,421,291 | 4,125,551 |
| Total other assets | <u>3,431,550</u> | <u>4,670,544</u> |
| ELECTRIC PLANT: | | |
| In service - at cost | 179,748,149 | 175,174,842 |
| Construction work in progress | 2,657,973 | 2,393,766 |
| | <u>182,406,122</u> | <u>177,568,608</u> |
| Less: accumulated depreciation | 88,102,770 | 84,800,426 |
| Total electric plant | <u>94,303,352</u> | <u>92,768,182</u> |
| Charges for future benefits | <u>777,369</u> | <u>1,029,441</u> |
| Total assets | <u>123,370,996</u> | <u>120,470,675</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows - pension | 5,692,089 | 4,322,487 |
| Deferred outflows - OPEB | 211,907 | 576,571 |
| Total deferred outflows of resources | <u>5,903,996</u> | <u>4,899,058</u> |

See notes to basic financial statements.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
STATEMENTS OF NET POSITION (Continued)
DECEMBER 31,**

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable: | | |
| Trade | 1,547,072 | 1,602,115 |
| Related parties | 19,666 | 19,601 |
| Consumer deposits | 227,805 | 197,486 |
| Other current and accrued liabilities | 2,483,083 | 2,533,276 |
| Current maturities of bonds payable | 254,538 | 259,538 |
| Total current liabilities | <u>4,532,164</u> | <u>4,612,016</u> |
| NON-CURRENT LIABILITIES: | | |
| Economic development | 363,864 | 491,396 |
| Total OPEB liability | 3,432,327 | 3,730,562 |
| Bonds payable, less current maturities | 725,590 | 980,128 |
| Net pension liability | 24,653 | 6,156,065 |
| Total non-current liabilities | <u>4,546,434</u> | <u>11,358,151</u> |
| | | |
| Total liabilities | <u>9,078,598</u> | 15,970,167 |
| | | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows - pension | 7,300,618 | 232,832 |
| Deferred inflows - OPEB | 374,953 | 984,116 |
| Total deferred inflows of resources | <u>7,675,571</u> | <u>1,216,948</u> |
| | | |
| NET POSITION | | |
| Net investment in capital assets | 93,323,224 | 91,528,516 |
| Restricted for: | | |
| Plant dismantling | 1,471,951 | 1,952,875 |
| Overhaul | 585,476 | 1,681,280 |
| Energy conservation | 588,199 | 416,360 |
| Unrestricted | 16,551,973 | 12,603,587 |
| Total net position | <u>\$ 112,520,823</u> | <u>\$ 108,182,618</u> |

See notes to basic financial statements.

**ELECTRIC 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 | \$ 41,926,291 | \$ 38,038,188 |
| OPERATING EXPENSES | | |
| Cost of power | 21,128,942 | 18,798,231 |
| Transmission - operations | 63,481 | 54,925 |
| Transmission - maintenance | 130,050 | 166,371 |
| Distribution - operations | 2,079,467 | 1,985,575 |
| Distribution - maintenance | 672,374 | 695,323 |
| Street lighting | 31,340 | 37,614 |
| Consumer accounts | 886,222 | 877,170 |
| Administrative and general | 3,144,860 | 4,972,125 |
| Depreciation | 5,342,009 | 5,243,186 |
| Taxes | 430,111 | 554,138 |
| Contributions in lieu of taxes | 3,698,407 | 3,656,733 |
| Total operating expenses | <u>37,607,263</u> | <u>37,041,391</u> |
| Operating income | 4,319,028 | 996,797 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 60,192 | 104,336 |
| Interest on long-term debt | (14,222) | (25,939) |
| Change in fair value of investments | (26,793) | 41,170 |
| Total non-operating revenues, net | <u>19,177</u> | <u>119,567</u> |
| Change in net position | 4,338,205 | 1,116,364 |
| Net position - beginning of year, as restated (see Note 3) | <u>108,182,618</u> | <u>107,066,254</u> |
| Net position - end of year | <u>\$ 112,520,823</u> | <u>\$ 108,182,618</u> |

See notes to basic financial statements.

**ELECTRIC 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 | \$ 41,941,463 | \$ 38,802,358 |
| Cash paid to suppliers and employees | (29,353,805) | (27,558,746) |
| Cash paid for taxes and payments in lieu of taxes | (4,128,518) | (4,210,871) |
| Net cash provided by operating activities | <u>8,459,140</u> | <u>7,032,741</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Payments from City of Jamestown | <u>110,863</u> | 98,983 |
| Net cash provided by financing activities | <u>110,863</u> | 98,983 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (6,877,179) | (4,788,765) |
| Repayment of bond anticipation notes | - | (1,200,000) |
| Interest paid on long-term debt | (17,094) | (56,848) |
| Payments on long-term debt | (259,538) | (269,538) |
| Net cash used by capital and related financing activities | <u>(7,153,811)</u> | <u>(6,315,151)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 60,192 | 61,414 |
| Purchases of investments | - | (3,000,000) |
| Proceeds of sales from investments | 4,785,796 | 2,332,438 |
| Cash received from premium purchase of investments | - | 42,922 |
| Change in cash collateral - derivative | (298,734) | 146,210 |
| Net cash provided (used) by investing activities | <u>4,547,254</u> | <u>(417,016)</u> |
| Net increase in cash and cash equivalents | <u>5,963,446</u> | 399,557 |
| Cash and cash equivalents - beginning | <u>9,149,722</u> | 8,750,165 |
| Cash and cash equivalents - ending | <u>\$ 15,113,168</u> | <u>\$ 9,149,722</u> |

See notes to basic financial statements.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31,**

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 4,319,028 | \$ 996,797 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 5,342,009 | 5,243,186 |
| Decrease (increase) in receivables, net | (39,925) | 780,370 |
| Decrease in interest receivable | 24,778 | - |
| Decrease in inventory (at average cost) | 22,629 | 1,284 |
| Increase in prepaid items | (336,010) | (126,260) |
| Decrease in other current and accrued assets | 50,033 | 10,239 |
| Decrease (increase) in charges for future benefits | 252,072 | (286,493) |
| Increase in deferred outflows - pension | (1,369,602) | (2,950,011) |
| Decrease (increase) in deferred outflows - OPEB | 364,664 | (51,780) |
| Increase (decrease) in accounts payable | (54,978) | 203,046 |
| Increase (decrease) in consumer deposits | 30,319 | (16,200) |
| Increase (decrease) in other current and accrued liabilities | (47,321) | 161,600 |
| Decrease in economic development liability | (127,532) | - |
| Decrease in total OPEB liability | (298,235) | (1,645,047) |
| Increase (decrease) in net pension liability | (6,131,412) | 4,527,922 |
| Increase (decrease) in deferred inflows - pension | 7,067,786 | (410,635) |
| Increase (decrease) in deferred inflows - OPEB | (609,163) | 594,723 |
| Net cash provided by operating activities | <u>\$ 8,459,140</u> | <u>\$ 7,032,741</u> |

See notes to basic financial statements.

**ELECTRIC 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 Electric Division (the Division) of the Board of Public Utilities of the City of Jamestown (BPU) generates and distributes electricity to its consumers in and around the City of Jamestown (the City). The Division grants credit for sales made.

The Electric 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 kilowatt hours of electricity used. Revenue is recognized based upon billings.

D. CASH AND CASH EQUIVALENTS

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

E. DERIVATIVE INSTRUMENTS

The Division recognizes all derivative instruments as either assets or liabilities on the Statements of Net Position at fair value.

Commodity Derivatives

The Division holds derivative financial instruments for the purpose of managing the market risks of certain identifiable and anticipated transactions relating to purchases of natural gas for use in power generation of electricity. In general, the types of risks hedged are those relating to the variability of future earnings and cash flows caused by changes in commodity prices. The Division does not engage in speculative derivative activities or derivative trading activities.

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

The Division mitigates the price risk associated with its commodity purchase agreements by locking in the economic margin at the time the Division enters into such transactions using New York Mercantile Exchange (NYMEX) futures contracts.

The Division maintains accounts with a broker and direct counter-parties. Based on the value of the Division's positions in these accounts and the associated margin requirements, the Division may be required to deposit cash into these accounts.

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*, the Division includes any cash collateral held in this account in a net presentation on the Statements of Net Position with the associated fair value of instruments in the account.

The Division enters into future contracts that are exchange based utilizing NYMEX. For direct counterparty derivative transactions, the Division may be exposed to credit risk related to the risk of loss that the Division would incur as a result of nonperformance by counterparties pursuant to their terms of their contractual obligations. The Division believes that the counterparties to these contracts will fulfill their related contractual obligations.

The Division's outstanding derivatives portfolio consists of 52 and 83 natural gas futures contracts measured in dekatherms (dth) at December 31, 2021 and 2020, respectively. As such, the Division is exposed to concentrations of credit risk related to these contracts.

F. INVESTMENTS

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

G. RECEIVABLES

Receivables consist of amounts due from customers and the City for services provided. The Division's policy is to accrue a penalty on past due customer receivables. Receivables are net of an allowance for doubtful accounts of \$442,724 and \$477,188 at December 31, 2021 and 2020, respectively. Management determines the allowance based on historical experience and analysis of accounts.

H. INVENTORY

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

I. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. RESTRICTED INVESTMENTS

Restricted investments consist of amounts designated for plant dismantling, economic development and overhaul reserve fund.

K. CAPITAL ASSETS

Electric plant assets are stated at cost, which includes salaries and benefits, transportation costs, and overhead. Depreciation of electric plant assets are computed using group composite straight-line rates in accordance with the NYS Public Service Commission.

When the electric plant assets are retired, its cost, together with the cost of removal less salvage, if any, is charged to accumulated depreciation.

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Provision has been made for depreciation of electric plant at the straight-line composite rates listed below:

| | |
|--------------------------|-----------------|
| Structures | 2.50% - 5.75% |
| Generation plant | 2.50% - 2.75% |
| Distribution plant | 2.44% - 5.00% |
| Transmission plant | 2.10% - 3.67% |
| General plant: | |
| Transportation equipment | 10.71% - 13.75% |
| Tools and work equipment | 3.71% - 4.75% |
| Other equipment | 4.00% - 11.88% |

L. HEALTH INSURANCE

The Electric Division of the Board of Public Utilities of the City of Jamestown funds its health costs through self-insured health premiums. The Electric Division employs an administrator to manage the self-insurance plan. Monthly premiums, based on prior experience, are deposited in a separate bank account from which the administrator pays out funds for health claims, prescriptions, administration fees, and stop loss insurance premiums. Stop loss coverage is available above \$135,000 per occurrence, effective May 1, 2018.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Division provides health insurance coverage for current and future retirees and their spouses as described at Note 2.I.

N. ALLOCATION OF ASSETS, LIABILITIES AND EXPENSES RELATED TO PENSION OBLIGATIONS

Total pension obligations including deferred outflows of resources and deferred inflow of resources are allocated by the City to the BPU based on payroll. The BPU further allocates these amounts by division based on the percentage of each Division's payroll to the total BPU payroll. See Note 2.H.

O. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position include a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Division has two items that qualify for reporting in this category. They are deferred amounts related to pension and OPEB reported in the Statements of Net Position. The deferred amounts are related to pension and OPEB differences between estimated and actual investment earnings, changes in assumptions and other pension and OPEB related changes.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Division has two items that qualify for reporting in this category. In the Statements of Net Position, the Division reports deferred amounts related to pension and OPEB.

See details of deferred pension outflows and inflows in Note 2.H and deferred OPEB outflows and inflows in Note 2.I.

P. NET POSITION

Net position is classified into three 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 accumulated depreciation and 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.

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Restricted net position - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

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

Q. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Division's financial instruments that are recorded at fair value in the Statements of Net Position include cash and cash equivalents, investments, long-term debt, and derivative instruments.

The carrying amount approximates fair value of cash and cash equivalents. Investments are carried at fair value. Long-term debt is carried at cost, which approximates fair value based on current rates at which the Division could borrow funds with similar remaining maturities. The fair value of derivative instruments is based on market transactions and other market evidence, whenever possible, including market-based inputs to models, broker or dealer quotations, and third-party market or published commodity values upon which the contract value is based.

R. FAIR VALUE MEASUREMENT - DEFINITION AND HIERARCHY

The Division uses quoted prices in active markets related to natural gas futures contracts, in determining fair value. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Division. Unobservable inputs are inputs that reflect the Division's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The Division's commodity hedging instruments are valued using level 2 inputs defined as follows:

- Level 2 - Valuations based on quoted prices in inactive markets, or whose values are based on models – but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. Total value of future contracts was deemed immaterial at both December 31, 2021 and 2020. Cash collateral at December 31, 2021 and 2020 was \$1,176,049 and \$877,315, respectively, and is recorded in the Statements of Net Position.

S. 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.

T. 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.

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- 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.

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. In addition, BPU has its own written investment policy. 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.

Investments:

The following tables present the investments and maturities of the Division’s securities with interest rate risk as of December 31, 2021 and 2020:

| Investment Type | Fair Value | 2021 Investment Maturities | | | |
|-----------------|--------------|----------------------------|--------------------|--------------|-------------------|
| | | Less Than 6 Months | 6 Months to 1 year | 1-5 years | More than 5 years |
| U.S. Treasuries | \$ 2,997,420 | \$ - | \$ - | \$ 2,997,420 | \$ - |

| 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 | \$ 7,810,009 | \$ 4,808,973 | \$ - | \$ 3,001,036 | \$ - |

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.

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.

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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.

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.

B. RECEIVABLES

Major receivables accrued by the Division at December 31:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| General consumers receivables | \$ 4,478,384 | \$ 4,559,101 |
| Public Authorities other than the City of Jamestown | 68,667 | 42,963 |
| Damage claims receivable | 4,505 | 4,505 |
| NYS and Chautauqua County sales tax receivable | 361,433 | 376,752 |
| Miscellaneous receivables | 35,264 | 25,588 |
| Reserve for uncollectible accounts | <u>(442,724)</u> | <u>(477,188)</u> |
| Total accounts receivable, net | <u>\$ 4,505,529</u> | <u>\$ 4,531,721</u> |
| Receivables from operating municipality | <u>\$ 269,338</u> | <u>\$ 203,221</u> |

C. CAPITAL ASSETS

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

| | <u>Balance</u> <u>01/01/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/2021</u> |
|-------------------------------|-------------------------------------|-------------------|------------------|-------------------------------------|
| Land | \$ 1,689,542 | \$ - | \$ - | \$ 1,689,542 |
| Structures | 20,610,226 | 68,256 | 70,351 | 20,608,131 |
| Generation plant | 73,626,985 | 4,025,395 | 918,985 | 76,733,395 |
| Distribution plant | 51,272,161 | 1,852,009 | 645,533 | 52,478,637 |
| Transmission plant | 14,146,835 | - | - | 14,146,835 |
| General plant | 8,438,850 | 151,876 | - | 8,590,726 |
| Gas pipeline | 5,390,243 | 110,640 | - | 5,500,883 |
| Construction work in progress | <u>2,393,766</u> | <u>5,007,746</u> | <u>4,743,539</u> | <u>2,657,973</u> |
| | <u>177,568,608</u> | <u>11,215,922</u> | <u>6,378,408</u> | <u>182,406,122</u> |

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| | Balance 01/01/2021 | Additions | Deletions | Balance 12/31/2021 |
|--------------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Less accumulated depreciation: | | | | |
| Structures | 13,421,458 | 565,683 | 70,351 | 13,916,790 |
| Generation plant | 36,130,247 | 2,545,565 | 1,384,460 | 37,291,352 |
| Distribution plant | 21,851,970 | 1,569,202 | 854,004 | 22,567,168 |
| Transmission plant | 6,832,678 | 376,380 | - | 7,209,058 |
| General plant | 6,352,552 | 450,707 | - | 6,803,259 |
| Gas pipeline | 211,521 | 103,622 | - | 315,143 |
| | <u>84,800,426</u> | <u>5,611,159</u> | <u>2,308,815</u> | <u>88,102,770</u> |
| Total accumulated depreciation | | | | |
| Total capital assets, net | \$ <u>92,768,182</u> | \$ <u>5,604,763</u> | \$ <u>4,069,593</u> | \$ <u>94,303,352</u> |

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

| | Balance 01/01/2020 | Additions | Deletions | Balance 12/31/2020 |
|--------------------------------|-----------------------|-------------------|---------------------|-----------------------|
| Land | \$ 1,689,542 | \$ - | \$ - | \$ 1,689,542 |
| Structures | 20,028,711 | 581,515 | - | 20,610,226 |
| Generation plant | 72,892,184 | 760,128 | 25,327 | 73,626,985 |
| Distribution plant | 50,063,831 | 1,659,989 | 451,659 | 51,272,161 |
| Transmission plant | 13,846,542 | 300,293 | - | 14,146,835 |
| General plant | 8,362,288 | 270,914 | 194,352 | 8,438,850 |
| Gas pipeline | 5,369,629 | 20,614 | - | 5,390,243 |
| Construction work in progress | 1,276,630 | 2,890,639 | 1,773,503 | 2,393,766 |
| | <u>173,529,357</u> | <u>6,484,092</u> | <u>2,444,841</u> | <u>177,568,608</u> |
| Less accumulated depreciation: | 12,871,805 | 549,653 | - | 13,421,458 |
| Structures | 33,788,720 | 2,519,230 | 177,703 | 36,130,247 |
| Generation plant | 21,000,713 | 1,509,137 | 657,880 | 21,851,970 |
| Distribution plant | 6,463,935 | 368,743 | - | 6,832,678 |
| Transmission plant | 6,073,286 | 473,627 | 194,361 | 6,352,552 |
| General plant | 108,295 | 103,226 | - | 211,521 |
| | <u>80,306,754</u> | <u>5,523,616</u> | <u>1,029,944</u> | <u>84,800,426</u> |
| Total accumulated depreciation | | | | |
| Total capital assets, net | \$ <u>93,222,603</u> | \$ <u>960,476</u> | \$ <u>1,414,897</u> | \$ <u>92,768,182</u> |

Depreciation expense totaled \$5,611,159 and \$5,523,616 for the years ended 2021 and 2020, respectively. Depreciation consists of the following for the years ended December 31,:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|---------------------|
| Depreciation expense | \$ 5,342,009 | \$ 5,243,186 |
| Depreciation expense allocated to various expense and operating property accounts | 269,150 | 280,430 |
| Total depreciation | \$ <u>5,611,159</u> | \$ <u>5,523,616</u> |

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
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D. RELATED PARTY TRANSACTIONS

There remains a loan obligation that was provided to the City of Jamestown for District Chiller Equipment. The loan is paid in monthly installments of \$566, which includes interest of 2% through June of 2024. The Division's receivable is reported on the Statements of Net Position as Due from the City of Jamestown. Amounts due to the Division from the City amounted to \$19,205 and \$130,068 as of December 31, 2021 and 2020, respectively.

In the regular course of business, the Division provides services to and receives services from the various other Board of Public Utility divisions as well as the City of Jamestown. This practice generates related party receivables and payables, which are generally satisfied in the month following the month in which the services were provided or received.

The District Heating Division purchases a portion of the residual heat generated as a byproduct by the Electric Division for resale to District Heating customers. These purchases totaled \$96,642 and \$125,004 for 2021 and 2020, respectively.

The Division made payments in lieu of taxes to the City and the Jamestown School Board (J.P.S.) in the amounts of \$2,192,008 and \$1,506,399 for the year ending December 31, 2021 and \$2,175,501 and \$1,481,232 for the year ending December 31, 2020. This payment is calculated based on 5% of sales inside the City limits and 1% of gross book value of operating property for the City and strictly 1% of gross book value of operating property for J.P.S.

E. BONDS PAYABLE

Bonds payable consists of:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Series A bond, with graduating interest from 4.125% to 5.000% over the life of the bond, and annual principal payments through August 2025, plus interest payable semi-annually. | \$ 965,000 | \$ 1,220,000 |
| Plus: unamortized premium | <u>15,128</u> | <u>19,666</u> |
| | 980,128 | 1,239,666 |
| Less: current maturities | <u>254,538</u> | <u>259,538</u> |
| Total bonds payable | <u>\$ 725,590</u> | <u>\$ 980,128</u> |

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

| | Serial Bonds | | | |
|-------|--------------------------|--------------------------------|-------------------------|----------------------------|
| | <u>Principal</u> | <u>Unamortized Premium</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 250,000 | \$ 4,538 | \$ 21,068 | \$ 275,606 |
| 2023 | 245,000 | 4,538 | 16,068 | 265,606 |
| 2024 | 240,000 | 4,538 | 10,862 | 255,400 |
| 2025 | <u>230,000</u> | <u>1,514</u> | <u>5,462</u> | <u>236,976</u> |
| Total | <u>\$ 965,000</u> | <u>\$ 15,128</u> | <u>\$ 53,460</u> | <u>\$ 1,033,588</u> |

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F. OTHER CURRENT AND ACCRUED LIABILITIES

Other current and accrued liabilities consist of the following at December 31,:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|---------------------|---------------------|
| Accrued expenses | \$ 717,318 | \$ 223,863 |
| Accrued wages | 115,014 | 93,563 |
| Compensated absences | 777,369 | 1,029,441 |
| Accrued interest | 22,014 | 24,886 |
| Accrued benefits | 637,611 | 947,760 |
| Collections liability | 103,757 | 103,763 |
| Pipeline purchase liability | <u>110,000</u> | <u>110,000</u> |
| | <u>\$ 2,483,083</u> | <u>\$ 2,533,276</u> |

G. CHARGES FOR FUTURE BENEFITS

The Division recognizes the expense of compensated absences when paid. Accordingly, the expense has been deferred subject to the provisions of the Topics of Codification 980. These accrued costs, which totaled \$777,369 and \$1,029,441 at December 31, 2021 and 2020, respectively. This expense will be included as allowable costs for rate-making purposes when paid.

H. PENSION OBLIGATIONS

New York State and Local Retirement System

Plan Description

The Division participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Division also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory, except for employees who joined the System after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employees' contributions based on salaries paid during the system's fiscal year ending March 31st.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021 and 2020, the Division reported the following liability for its proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. The Division's proportion of the net pension liability was based on a projection of the Division's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

| | | | | |
|--|----|-------------------|----|-------------------|
| Measurement date | | <u>03/31/2021</u> | | <u>03/31/2020</u> |
| Net pension liability | \$ | 24,653 | \$ | 6,156,065 |
| Division's portion of the Plan's total net pension liability | | 0.0247589 | % | 0.0232475 % |
| Change in proportion since the prior measurement date | | 0.0015114 | | 0.0002684 |
| | | | | |
| Pension expense at December 31, 2021 | \$ | 577,552 | \$ | 2,056,267 |

At December 31, 2021 and 2020, the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

| | <u>2021</u> | | <u>2020</u> | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 301,085 | \$ - | \$ 362,309 | \$ - |
| Change of assumptions | 4,532,966 | 85,493 | 123,954 | 107,032 |
| Net difference between projected and actual earnings on pension plan investments | - | 7,081,911 | 3,155,899 | - |
| Changes in proportion and differences between the Division's contributions and proportionate share of contributions | 56,500 | 133,214 | 3,193 | 125,800 |
| Division's contributions subsequent to the measurement date | <u>801,538</u> | <u>-</u> | <u>677,132</u> | <u>-</u> |
| Total | <u>\$ 5,692,089</u> | <u>\$ 7,300,618</u> | <u>\$ 4,322,487</u> | <u>\$ 232,832</u> |

Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending March 31:

| | |
|------------|--------------|
| 2022 | \$ (462,456) |
| 2023 | (177,991) |
| 2024 | (403,275) |
| 2025 | (1,366,345) |
| 2026 | - |
| Thereafter | - |

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Actuarial Assumptions

The total pension liability as of the March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

| | ERS | |
|--|--------------|-------------|
| | 2021 | 2020 |
| Inflation | 2.7 % | 2.5 % |
| Salary increases | 4.4 | 4.2 |
| Investment rate of return (net of investment expense, including inflation) | 5.9 | 6.8 |
| Cost of living adjustments | 1.4 | 1.3 |

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2020. The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 and 2020 are summarized below:

| | 2021 | | 2020 | |
|----------------------------|--------------------------|---|--------------------------|---|
| | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| Asset Class: | | | | |
| Domestic equity | 32.0 % | 4.1 % | 36.0 % | 4.6 % |
| International equity | 15.0 | 6.3 | 14.0 | 6.4 |
| Private equity | 10.0 | 6.8 | 10.0 | 7.5 |
| Real estate | 9.0 | 5.0 | 10.0 | 5.6 |
| Absolute return strategies | 0.0 | 0.0 | 2.0 | 3.8 |
| Opportunistic portfolio | 3.0 | 4.5 | 3.0 | 5.7 |
| Credit | 4.0 | 3.6 | 0.0 | 0.0 |
| Real assets | 3.0 | 6.0 | 3.0 | 5.3 |
| Bonds and mortgages | 23.0 | 0.0 | 17.0 | 1.3 |
| Cash | 1.0 | 0.5 | 1.0 | -0.3 |
| Inflation-indexed bonds | 0.0 | 0.0 | 4.0 | 1.3 |
| Total | 100.0 % | | 100.0 % | |

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% (6.8% - 2020). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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CITY OF JAMESTOWN, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the Division's allocated share of the City's proportionate share of the net pension liability calculated using the discount rate of 5.9% (6.8% - 2020), as well as what the Division's allocated share of the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 2021 | | |
|--|-----------------------------------|--|-----------------------------------|
| | 1% Decrease (4.9%) | Current Assumption (5.9%) | 1% Increase (6.9%) |
| Division's proportionate share of the net pension liability/(asset) | \$ 6,842,832 | \$ 24,653 | \$ (6,263,303) |

| | 2020 | | |
|--|-----------------------------------|--|-----------------------------------|
| | 1% Decrease (5.8%) | Current Assumption (6.8%) | 1% Increase (7.8%) |
| Division's proportionate share of the net pension liability/(asset) | \$ 11,298,118 | \$ 6,156,065 | \$ 1,420,213 |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2021 were as follows:

| | (Dollars in Thousands) | |
|---|-------------------------------|----------------------|
| | 2021 | 2020 |
| Employers' total pension liability | \$ 220,680,157 | \$ 194,596,261 |
| Plan net position | 220,580,583 | 168,115,682 |
| Employers' net pension liability | <u>\$ 99,574</u> | <u>\$ 26,480,579</u> |
| Ratio of plan net position to the employers' total pension liability | 99.95% | 86.39% |

Prepays to the Pension Plan

Employer contributions are paid annually based on the System fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2021 represent a three month portion of employer contributions for the Plan year April 1, 2021 through March 31, 2022. Prepaid retirement contributions amounted to \$261,689 and \$225,711 as of December 31, 2021 and 2020, respectively.

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY

Plan Description

The BPU administers the Jamestown Board of Public Utilities Retiree Medical and Prescription Drug Plan (the Plan) as a single-employer defined benefit OPEB plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the BPU subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

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

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

The following employees were covered by the benefit terms at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 55 | 55 |
| Active employees | 71 | 71 |
| Total | <u>126</u> | <u>126</u> |

The Division's total OPEB liability of \$3,432,327 was measured as of October 1, 2021 and was determined by the most recent interim actuarial valuation as of December 31, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 interim actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Inflation | 2.37 % | 2.11 % |
| Salary increases | 3.44 % | 3.11 % |
| Discount rate | 2.19 % | 2.41 % |
| Healthcare cost trend rates | 4.37 % | 4.00 % |
| Retirees' share of benefit-related costs | 20.00-70.00 % | 20.00-70.00 % |

The discount rate was based on the Fidelity Municipal General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates for retirees and surviving spouses were based on the Pub-2010 public retirement plans mortality tables, headcount-weighted, distinct for teachers, general, and safety, without separate contingent survivor mortality, fully generational using Mortality Improvement Scale MP-2021.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The Plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at January 1, 2021 | \$ 3,730,562 |
| Changes for the year: | |
| Service cost | 119,425 |
| Interest | 85,705 |
| Changes of benefit terms | (98,170) |
| Differences between expected and actual experience | (145,220) |
| Changes in assumptions or other inputs | 33,773 |
| Benefit payments | <u>(293,748)</u> |
| Net changes | <u>(298,235)</u> |
| Balance at December 31, 2021 | <u>\$ 3,432,327</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.41% in 2020 to 2.19%, effective December 31, 2021, the salary scale changed from 3.11% in 2020 to 3.44% effective December 31, 2021 and the mortality rate updated to MP-2021.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Division, as well as what the Division's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

| | 2021 | | |
|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| | 1% Decrease (1.19%) | Discount Rate (2.19%) | 1% Increase (3.19%) |
| Total OPEB liability | \$ 3,683,765 | \$ 3,432,327 | \$ 3,205,200 |

| | 2020 | | |
|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| | 1% Decrease (1.41%) | Discount Rate (2.41%) | 1% Increase (3.41%) |
| Total OPEB liability | \$ 4,003,621 | \$ 3,730,562 | \$ 3,484,667 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Division, as well as what the Division's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | 2021 | | |
|-----------------------------|--|--|--|
| | 1% Decrease (5.10% decreasing to 3.37%) | Healthcare Cost Trend Rates (6.10% decreasing to 4.37%) | 1% Increase (7.10% decreasing to 5.37%) |
| Total OPEB liability | \$ 3,124,532 | \$ 3,432,327 | \$ 3,786,618 |

| | 2020 | | |
|-----------------------------|--|--|--|
| | 1% Decrease (3.00% increasing to 3.08%) | Healthcare Cost Trend Rates (4.00% increasing to 4.08%) | 1% Increase (5.00% increasing to 5.08%) |
| Total OPEB liability | \$ 3,433,785 | \$ 3,730,562 | \$ 4,071,000 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021 and 2020, the Division recognized OPEB expense of \$(286,711) and \$(661,350), respectively. OPEB expense reflects the costs to the OPEB plan incurred during the year, including the service cost, interest cost, immediate recognition of the impact of all plan provision changes, and the amortization of gains and losses due to experience or changes in the assumptions. Total benefit payments for the year ended December 31, 2021 and 2020 were \$293,748 and \$444,224, respectively. At December 31, 2021 and 2020, the Division reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

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

| | 2021 | | 2020 | |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 374,953 | \$ - | \$ 984,116 |
| Changes of assumptions or other inputs | 137,663 | - | 464,602 | - |
| Contributions subsequent to the measurement date | 74,244 | - | 111,969 | - |
| Total | <u>\$ 211,907</u> | <u>\$ 374,953</u> | <u>\$ 576,571</u> | <u>\$ 984,116</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ending December 31:</u> | |
|---------------------------------|--------------|
| 2022 | \$ (215,001) |
| 2023 | \$ (22,289) |
| Thereafter | \$ - |

J. MAJOR CONSUMER

The Division sells excess energy into the New York State Independent System Operator, commonly referred to as off system sales. Revenues to the Division from this regional transmission organization amounted to approximately 13.0% and 7.3% of total revenue for the years ended December 31, 2021 and 2020, respectively.

K. OPERATING REVENUES

Operating revenues consist of the following for the years ended December 31,:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|----------------------|----------------------|
| Electrical service revenues: | | |
| Residential | \$ 13,702,823 | \$ 13,149,135 |
| Commercial | 10,299,030 | 9,902,699 |
| Industrial | 6,901,858 | 6,628,932 |
| Operating municipalities | 1,664,708 | 1,678,279 |
| Other public authorities | 1,033,198 | 928,134 |
| Public station lighting | 568,374 | 567,401 |
| Penalites | 44,087 | 30,980 |
| Sales to other distributors | 4,225,084 | 3,119,303 |
| Steam sales | 96,642 | 125,004 |
| Miscellaneous revenues | 615,358 | 775,750 |
| UCAP revenue | 2,399,800 | 1,092,937 |
| Energy conservation revenue | 375,329 | 39,634 |
| Total operating revenues | <u>\$ 41,926,291</u> | <u>\$ 38,038,188</u> |

L. RESTRICTED NET POSITION

PLANT DISMANTLING AND OVERHAUL

Plant Dismantling

Certain revenues of the Division are required to be set aside to fund the anticipated future costs associated with dismantling of the Division's existing coal plant. Pursuant to the Division's 2004 rate plan approved by the NYS Public Service Commission, the off-system sales profits of \$1,225,000 were reflected in Division's rates but any amounts exceeding that level were to be set aside to fund the plant dismantling costs. Actual contributions to the dismantling reserve are per the NYS Public Service Commission (PSC) approved profit matrix if profits are less than \$1,225,000. The plant dismantling reserve has been capped and only expenses will be deducted from this reserve going forward.

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

Overhaul

Pursuant to the Division's 2016 rate plan approved by the PSC, the off-system sales profits of \$1,225,000 were reflected in the Division's rates but any amounts exceeding that level were to be set aside to fund the plant overhaul costs. Actual contributions to the overhaul reserve were \$1,415,601 and \$354,697 for the years ended December 31, 2021 and 2020, respectively.

M. DERIVATIVE FINANCIAL INSTRUMENTS

COMMODITY DERIVATIVES

The Division utilizes futures contracts as part of the Division's overall commodity price risk management strategy. The objective of this strategy is to stabilize earnings by managing a significant portion of the market risk associated with fluctuations in the price of natural gas utilized in the generation of electricity, thereby attempting to provide more stability to operating results. The Division enters into derivative financial instruments to stabilize the cost of natural gas used in operations. The Division maintains operating procedures that are administrated by experienced management in order to monitor compliance with internal risk management policies.

The estimated fair value of derivative hedging instruments outstanding consisting of net liquidity relating to future contracts for natural gas derivative purchases is deemed immaterial to the financial statements as of December 31, 2021 and 2020. Cash collateral provided to counterparties amounted to \$1,176,049 and \$877,315 and is included within current assets on the Statements of Net Position as of December 31, 2021 and 2020, respectively.

The Division does not employ hedge accounting for commodity derivatives and, therefore, includes unrealized gains or losses on open derivative contracts as a component of cost of power.

N. CONTINGENCIES

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

NOTE 3 – RESTATEMENT OF NET POSITION

In prior years, the Division had been accounting for its excess off-system sales as both a liability and as restricted net position. The net position for the year ended December 31, 2020 has been restated to correct this error. See the effect of the restatement below.

The following financial statement line items were restated as of December 31, 2020.

| | Amount Previously Reported | Restatement | Amount As Restated |
|--------------------------------|----------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Economic development liability | \$ 1,886,134 | \$ (1,394,738) | \$ 491,396 |
| Beginning net position | 106,026,212 | 1,040,042 | 107,066,254 |
| Operating revenue | 37,683,492 | 354,696 | 38,038,188 |
| Ending net position | \$ 106,787,880 | \$ 1,394,738 | \$ 108,182,618 |

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

| | Year Ended December 31, | | | | | | |
|--|--------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Measurement date | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 | March 31, 2020 | March 31, 2021 |
| City's proportion of the net pension liability | 0.0600616% | 0.0604838% | 0.0614446% | 0.0602267% | 0.0584473% | 0.0569336% | 0.0584115% |
| Division's proportion of the net pension liability | 0.0240246% | 0.0245195% | 0.0248654% | 0.0243725% | 0.0229791% | 0.0232475% | 0.0247589% |
| Division's allocated share of the City's proportionate share of the net pension liability | \$ <u>818,573</u> | \$ <u>3,963,120</u> | \$ <u>2,390,504</u> | \$ <u>786,610</u> | \$ <u>1,628,143</u> | \$ <u>6,156,065</u> | \$ <u>24,653</u> |
| Division's covered payroll | \$ 6,084,847 | \$ 6,529,971 | \$ 6,578,993 | \$ 6,466,261 | \$ 6,159,564 | \$ 6,493,478 | \$ 6,815,938 |
| Division's allocated share of the City's proportionate share of the net pension liability as a percentage of its covered payroll | 13.45% | 60.69% | 36.34% | 12.16% | 26.43% | 94.80% | 0.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.90% | 90.70% | 94.70% | 98.20% | 96.30% | 86.40% | 99.95% |

* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF THE DIVISION'S PENSION CONTRIBUTIONS – EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|----------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Contractually required contribution | \$ 986,644 | \$ 1,235,271 | \$ 1,134,709 | \$ 992,429 | \$ 930,239 | \$ 936,316 | \$ 905,890 | \$ 847,430 | \$ 888,990 | \$ 1,046,757 |
| Contributions in relation to the contractually required contribution | <u>986,644</u> | <u>1,235,271</u> | <u>1,134,709</u> | <u>992,429</u> | <u>930,239</u> | <u>936,316</u> | <u>905,890</u> | <u>847,430</u> | <u>888,990</u> | <u>1,046,757</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| Division's covered payroll | \$ 6,031,114 | \$ 6,626,862 | \$ 6,351,075 | \$ 6,067,726 | \$ 6,610,613 | \$ 6,165,980 | \$ 6,656,935 | \$ 6,098,324 | \$ 6,617,989 | \$ 6,962,199 |
| Contributions as a percentage of covered payroll | 16.36% | 18.64% | 17.87% | 16.36% | 14.07% | 15.19% | 13.61% | 13.90% | 13.43% | 15.03% |

The notes to the required supplementary information are an integral part of this schedule.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
CITY OF JAMESTOWN, NEW YORK
SCHEDULE OF CHANGES IN THE DIVISION'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31,***

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| <u>Total OPEB Liability</u> | | | | |
| Service cost | \$ 188,105 | \$ 188,365 | \$ 158,466 | \$ 119,425 |
| Interest | 205,184 | 230,670 | 139,971 | 85,705 |
| Changes of benefit terms | - | (836,540) | (647,150) | (98,170) |
| Differences between expected and actual experience | 360,663 | (603,277) | (1,439,101) | (145,220) |
| Changes of assumptions or other inputs | (137,139) | 562,031 | 586,991 | 33,773 |
| Benefit payments | <u>(423,108)</u> | <u>(456,738)</u> | <u>(444,224)</u> | <u>(293,748)</u> |
| Net change in total OPEB liability | 193,705 | (915,489) | (1,645,047) | (298,235) |
| Total OPEB liability - beginning | <u>6,097,393</u> | <u>6,291,098</u> | <u>5,375,609</u> | <u>3,730,562</u> |
| Total OPEB liability - ending | <u>\$ 6,291,098</u> | <u>\$ 5,375,609</u> | <u>\$ 3,730,562</u> | <u>\$ 3,432,327</u> |
| Covered-employee payroll | \$ 5,001,891 | \$ 5,001,891 | \$ 5,162,952 | \$ 5,340,558 |
| Total OPEB liability as a percentage of covered-employee payroll | 125.77% | 107.47% | 72.26% | 64.27% |

* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
 CITY OF JAMESTOWN, NEW YORK
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - FACTORS AFFECTING TRENDS IN THE RETIREMENT SYSTEM PENSION

The Division’s proportionate share of the net pension liability of the pension system is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

| | <u>ERS</u> |
|-----------------------------|------------|
| <u>Year ended March 31:</u> | |
| 2021 | 5.90% |
| 2020 | 6.80% |
| 2019 | 7.00% |
| 2018 | 7.00% |
| 2017 | 7.00% |
| 2016 | 7.00% |
| 2015 | 7.50% |

NOTE 2 - FACTORS AFFECTING TRENDS IN RETIREE HEALTH PLAN (OPEB)

The Division’s retiree health plans most significant factors and assumptions affecting the total OPEB liability are as follows:

| | <u>Long-Term Bond Rate</u> | <u>Salary Scale</u> | <u>Single Discount Rate</u> | <u>Ultimate Healthcare Cost Trend Rate</u> |
|--------------------------------|--------------------------------|-------------------------|-------------------------------------|--|
| <u>Year Ended December 31:</u> | | | | |
| 2021 | 2.19% | 3.44% | 2.19% | 4.37% |
| 2020 | 2.41% | 3.11% | 2.41% | 4.08% |
| 2019 | 2.75% | 3.22% | 2.75% | 4.18% |
| 2018 | 3.83% | 3.36% | 3.83% | 4.32% |