

***ELECTRIC 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***

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Electric 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 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Division reported prior period adjustments related to the reduction of assets and liabilities and increase in net position pertaining to the elimination of certain receivables and accrued liabilities. 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 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.

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

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 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 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 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, the schedule of the Division's proportionate share of the net pension asset/liability – ERS, the schedule of the Division's pension contributions – ERS, 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

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

**ELECTRIC 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 Electric Division ended 2022 with a change in net position of approximately \$5,255,000 compared to approximately \$4,338,000 in 2021.
- Operating revenues increased approximately \$1,834,000 compared to 2021. This increase was primarily due to an increase in sales to other distributors partially offset by a decrease in electric sales to customers.
- Cost of power expenses increased approximately \$1,179,000 compared to 2021. This increase is directly related to an increase in the cost of natural gas from higher market prices.
- Transmission and distribution expenses increased approximately \$50,000 or 2% compared to 2021.
- Administrative and general expenses decreased approximately \$417,000 compared to 2021, largely due to a decrease in pension and OPEB expenses related to actuarial updates.
- Taxes and payments in lieu of taxes increased approximately \$72,000 or 2% compared to 2021.
- All other expenses which includes street lighting and consumer accounts increased approximately \$50,000 compared to 2021.
- Total cash at year end decreased approximately \$4,023,000 compared to 2021 in part due to the movement of cash into 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

**ELECTRIC 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 Electric Division as a
Whole**

Figure A-1 – Statements of Net Position

<i>Electric Division - Board of Public Utilities</i>			
<i>Condensed Statements of Net Position</i>			
	2022	2021	% Change
Assets			
Current assets	\$ 21,236,463	\$ 24,858,725	-15%
Other assets	14,807,497	4,208,919	252%
Electric plant, net	92,811,698	94,303,352	-2%
Total assets	128,855,658	123,370,996	4%
Deferred outflows of resources	5,783,057	5,903,996	-2%
Total assets and deferred outflows	\$ 134,638,715	\$ 129,274,992	4%
Liabilities			
Current liabilities	\$ 4,315,156	\$ 4,532,164	-5%
Long-term liabilities	3,960,649	4,546,434	-13%
Total liabilities	8,275,805	9,078,598	-9%
Deferred inflows of resources	8,509,523	7,675,571	11%
Net position			
Net investment in capital assets	92,086,108	93,323,224	-1%
Restricted	4,599,910	2,645,626	74%
Unrestricted	21,167,369	16,551,973	28%
Total net position	117,853,387	112,520,823	5%
Total liabilities, deferred outflows, and net position	\$ 134,638,715	\$ 129,274,992	4%

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

<i>Electric Division - Board of Public Utilities</i>			
<i>Condensed Statements of Revenue, Expenses and Changes in Net Position</i>			
	2022	2021	% Change
Operating Revenue	\$ 43,695,571	\$ 41,861,624	4%
Operating Expenses			
Cost of power	22,308,061	21,128,942	6%
Transmission and distribution	2,995,318	2,945,372	2%
Administrative and general	2,728,319	3,144,860	-13%
Depreciation	5,516,127	5,342,009	3%
Taxes and payments in lieu of taxes	4,201,139	4,128,518	2%
All other	968,154	917,562	6%
	38,717,118	37,607,263	3%
Non-operating Revenues (Expenses)	276,812	83,844	230%
Change in net position	\$ 5,255,265	\$ 4,338,205	

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

V. Electric Plant and Debt Administration

Electric Plant

As depicted in Figure A-3, as of December 31, 2022, the Division had invested approximately \$92,812,000 in electric plant assets, net of depreciation, in a broad range of electric plant assets, including construction in process, structures, vehicles, and equipment. Capital additions during the year ended December 31, 2022, totaled approximately \$4,265,000.

Long-term Liabilities

As depicted in Figure A-4, as of December 31, 2022, the Division had approximately \$3,961,000 in long-term liabilities, a decrease of approximately \$585,000 when compared with 2021. This decrease was primarily related to the Division making regular principal payments on long-term debt and a decrease in other postemployment benefits.

Figure A-3 – Capital Assets

<i>Electric Division - Board of Public Utilities</i>			
<i>Electric plant</i>			
	2022	2021	Change
Land	\$ 1,747,101	\$ 1,689,542	3%
Structures	21,078,123	20,608,132	2%
Generation Plant	78,094,143	76,733,392	2%
Distribution Plant	54,150,820	52,478,639	3%
Transmission Plant	14,146,853	14,146,835	0%
General Plant	8,898,969	8,590,728	4%
Gas Pipeline	5,393,757	5,500,881	-2%
Construction in progress	2,772,241	2,657,973	4%
Accumulated depreciation	(93,470,309)	(88,102,770)	6%
Capital Assets - net	\$ 92,811,698	\$ 94,303,352	-2%

Figure A-4 – Long-term Liabilities

<i>Electric Division - Board of Public Utilities</i>			
<i>Long-term Liabilities</i>			
	2022	2021	Change
Economic development	\$ 346,113	\$ 363,864	-5%
OPEB liability	3,138,484	3,432,327	-9%
Long-term debt, less current	476,052	725,590	-34%
Net pension liability	-	24,653	-100%
Total Long-term Liabilities	\$ 3,960,649	\$ 4,546,434	-13%

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:

- 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 commercial and 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.
- 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 with 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). 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.

VII. Contacting the Electric 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 Electric 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

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

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Assets	2022	2021
Current assets		
Cash and cash equivalents	\$ 11,090,480	\$ 15,113,168
Cash collateral - derivative	1,672,251	1,176,049
Receivables, net	3,751,256	4,505,529
Receivables - related parties	333,170	269,338
Grant receivable	152,000	-
Inventory (at average cost)	859,566	632,921
Interest receivable	-	1,250
Prepaid items	3,336,186	3,119,809
Other current and accrued assets	41,554	40,661
	<u>21,236,463</u>	<u>24,858,725</u>
Other assets		
Non-utility property	414,925	414,925
Net pension asset	1,882,894	-
Due from City of Jamestown	-	19,205
Investments	11,828,550	2,997,420
	<u>14,126,369</u>	<u>3,431,550</u>
Electric Plant:		
In service - at cost	183,509,766	179,748,149
Construction work in progress	2,772,241	2,657,973
	<u>186,282,007</u>	<u>182,406,122</u>
Less accumulated depreciation	(93,470,309)	(88,102,770)
Total electric plant	<u>92,811,698</u>	<u>94,303,352</u>
Charges for future benefits	681,128	777,369
	<u>681,128</u>	<u>777,369</u>
Total assets	<u>128,855,658</u>	<u>123,370,996</u>
Deferred Outflows of resources		
Deferred outflows - pension	5,501,101	5,692,089
Deferred outflows - OPEB	281,956	211,907
Total deferred outflows of resources	<u>5,783,057</u>	<u>5,903,996</u>
Total assets and deferred outflow of resources	<u>\$ 134,638,715</u>	<u>\$ 129,274,992</u>

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

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<i>Liabilities</i>		
Current liabilities		
Accounts payable		
Trade	\$ 2,182,715	\$ 1,547,072
Related parties	6,236	19,666
Consumer deposits	251,841	227,805
Accrued interest	6,695	10,214
Other current and accrued liabilities	1,618,131	2,472,869
Current maturities of long-term debt	249,538	254,538
	<hr/>	<hr/>
Total current liabilities	4,315,156	4,532,164
Non-current liabilities		
Economic development	346,113	363,864
Total OPEB liability	3,138,484	3,432,327
Long-term debt, less current maturities	476,052	725,590
Net pension liability	-	24,653
	<hr/>	<hr/>
Total non-current liabilities	3,960,649	4,546,434
	<hr/>	<hr/>
Total liabilities	8,275,805	9,078,598
Deferred Inflows of Resources		
Deferred inflows - pension	8,125,957	7,300,618
Deferred inflows - OPEB	383,566	374,953
	<hr/>	<hr/>
Total deferred inflows of resources	8,509,523	7,675,571
Net Position		
Net investment in capital assets	92,086,108	93,323,224
Restricted for:		
Plant dismantling	1,338,472	1,471,951
Overhaul	2,513,859	585,476
Energy Conservation	747,579	588,199
Unrestricted	21,167,369	16,551,973
	<hr/>	<hr/>
Total net position	117,853,387	112,520,823
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 134,638,715	\$ 129,274,992

**ELECTRIC 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,**

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	2022	2021
Operating revenue	\$ 43,695,571	\$ 41,861,624
Operating expenses		
Cost of power	22,308,061	21,128,942
Transmission - operations	108,808	63,481
Transmission - maintenance	231,265	130,050
Distribution - operations	1,917,436	2,079,467
Distribution - maintenance	737,809	672,374
Street lighting	25,976	31,340
Consumer accounts	942,178	886,222
Administrative and general	2,728,319	3,144,860
Depreciation	5,516,127	5,342,009
Taxes	415,569	430,111
Contributions in lieu of taxes	3,785,570	3,698,407
Total operating expenses	<u>38,717,118</u>	<u>37,607,263</u>
Income from operations	<u>4,978,453</u>	<u>4,254,361</u>
Non-operating revenues (expenses)		
Grant revenue	328,000	64,667
Interest income	79,498	60,192
Interest on long-term debt	(13,012)	(14,222)
Change in fair value of investments	(117,674)	(26,793)
Total non-operating revenues (expenses)	<u>276,812</u>	<u>83,844</u>
Change in net position	5,255,265	4,338,205
Net position, beginning of year	112,520,823	108,182,618
Prior period adjustments	77,299	--
Net position, end of year	<u>\$ 117,853,387</u>	<u>\$ 112,520,823</u>

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

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

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	2022	2021
Cash flows from operating activities		
Cash received from customers	\$ 44,410,048	\$ 41,852,018
Cash paid to suppliers and employees	(30,767,002)	(29,353,805)
Cash paid for taxes and payments in lieu of taxes	(4,201,139)	(4,128,518)
Net cash provided by operating activities	<u>9,441,907</u>	<u>8,369,695</u>
Cash flows from investing activities		
Interest income	80,748	84,970
Change in cash collateral - derivative	(496,202)	(298,734)
Purchase (sale) of investments	(8,948,804)	4,785,796
Net cash provided by (used in) investing activities	<u>(9,364,258)</u>	<u>4,572,032</u>
Cash flows from non-capital financing activities		
Payments from City of Jamestown	19,205	110,863
Net cash provided by non-capital financing activities	<u>19,205</u>	<u>110,863</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets and equipment purchases	(4,024,473)	(6,877,179)
Capital grant contributions	176,000	64,667
Interest payments	(16,531)	(17,094)
Principal payments on long-term debt	(254,538)	(259,538)
Net cash used in capital and related financing activities	<u>(4,119,542)</u>	<u>(7,089,144)</u>
Net (decrease) increase in cash and cash equivalents	(4,022,688)	5,963,446
Cash and cash equivalents, beginning of year	<u>15,113,168</u>	<u>9,149,722</u>
Cash and cash equivalents, end of year	<u>\$ 11,090,480</u>	<u>\$ 15,113,168</u>
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 4,978,453	\$ 4,254,361
Adjustments		
Depreciation	5,516,127	5,342,009
Prior period adjustments	77,299	-
Change in net pension asset/liability, including deferred items	(891,220)	(433,228)
Change in OPEB liability, including deferred items	(355,279)	(542,734)
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivables, net	690,441	(39,925)
Decrease (increase) in inventory	(226,645)	22,629
Increase in prepaid items	(216,377)	(336,010)
Decrease (increase) in other current and accrued assets	(893)	50,033
Decrease in charges for future benefits	96,241	252,072
Increase (decrease) in accounts payable	622,213	(54,978)
Increase in consumer deposits	24,036	30,319
Decrease in other current and accrued liabilities	(854,738)	(47,321)
Decrease in economic development liability	(17,751)	(127,532)
Net cash provided by operating activities	<u>\$ 9,441,907</u>	<u>\$ 8,369,695</u>

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

**ELECTRIC 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

Nature of Activities

The Electric Division (Division) of the Board of Public Utilities of the City of Jamestown, New York (BPU) distributes electricity to its consumers in and around the City of Jamestown, New York (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, 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.

Revenue Recognition

Customers are billed based on kilowatt hours of electricity used. Revenue is recognized based upon billings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, when purchased, to be cash equivalents. Also included in cash and cash equivalents are monies held for restricted reserve accounts.

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.

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 counterparties. 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 3 and 52 natural gas futures contracts measured in dekatherms (dth) at December 31, 2022 and 2021, respectively. As such, the Division is exposed to concentrations of credit risk related to these contracts.

**ELECTRIC 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 (CONTINUED)

Investments

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

Accounts Receivable

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 reported net of an allowance for doubtful accounts. Management determines the allowance based on historical experience and analysis of accounts.

Inventory

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

Prepaid items

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

Electric Plant

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

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

	<u>Composite rates</u>
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%

Health Insurance

The Electric Division of the Board of Public Utilities of the City of Jamestown, New York 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, administrative fees, and stop loss insurance premiums. Stop loss coverage is available above \$145,000 per occurrence.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

The Division provides health insurance coverage for current and future retirees and their spouses as described at Note 10.

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.

Deferred Outflows/Inflows 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 therefore 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 therefore will not be recognized as an inflow of resources (revenue) until that time. The Division has two items that qualifies for reporting in this category. In the Statements of Net Position, the Division reports deferred amounts related to pension and other postemployment benefits.

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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

Restricted – Restricted net position represents resources that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors.

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement – Definition and Hierarchy (continued)

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

- Level 2 – Valuations based on quoted prices in in active 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. Cash collateral at December 31, 2022 and 2021 was \$1,672,251 and \$1,176,049, respectively and is recorded in the Statements of Net Position.

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.
- Statement No. 101, Compensated Absences, which will be effective for the year ending December 31, 2024.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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.

As of December 31, 2021 the Division held a U.S. Treasury Note with a fair value of \$2,997,420, maturity date of August 31, 2022 and an interest rate of .125%.

As of December 31, 2022 the Division held the following investments:

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

	Maturity date	FMV at 12/31
U.S. Treasury - 2.250%	3/31/2024	\$ 2,911,650
U.S. Treasury - 0.875%	1/31/2024	1,439,475
U.S. Treasury - 0.125%	1/31/2023	7,477,425
		<u>\$ 11,828,550</u>

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

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

NOTE 3 – RECEIVABLES

Receivables accrued by the Division as of December 31, 2022 and 2021 are as follows:

	2022	2021
General consumer receivables	\$ 4,040,467	\$ 4,478,354
Public authorities	60,059	68,667
NYS and Chautauqua County sales tax receivable	-	361,433
Miscellaneous receivables	92,783	39,799
Reserve for uncollectible accounts	(442,053)	(442,724)
Net accounts receivable	<u>\$ 3,751,256</u>	<u>\$ 4,505,529</u>

Receivables from operating municipalities	\$ 333,170	\$ 269,338
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NOTE 4 – ELECTRIC PLANT

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

	Balance			Balance
	<u>01/01/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Land	\$ 1,689,542	\$ 57,559	\$ --	1,747,101
Structures	20,608,131	485,722	(15,730)	21,078,123
Generation plant	76,733,395	1,360,750	--	78,094,145
Distribution plant	52,478,637	1,938,807	(266,624)	54,150,820
Transmission plant	14,146,835	18	--	14,146,853
General plant	8,590,726	308,243	--	8,898,969
Gas pipeline	5,500,883	--	(107,126)	5,393,757
Construction work in progress	2,657,973	114,268	--	2,772,241
Total utility plant	182,406,122	4,265,367	(389,480)	186,282,009
Less: accumulated depreciation	(88,102,770)	(5,784,297)	416,758	(93,470,309)
Total utility plant, net	<u>\$ 94,303,352</u>	<u>\$ (1,518,930)</u>	<u>\$ 27,278</u>	<u>\$ 92,811,700</u>

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

	Balance			Balance
	<u>01/01/2021</u>	<u>Additions</u>	<u>Deletions</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	2,393,766	5,007,746	(4,743,539)	2,657,973
Total utility plant	177,568,608	11,215,922	(6,378,408)	182,406,122
Less: accumulated depreciation	(84,800,426)	(5,611,159)	2,308,815	(88,102,770)
Total utility plant, net	<u>\$ 92,768,182</u>	<u>\$ 5,604,763</u>	<u>\$ (4,069,593)</u>	<u>\$ 94,303,352</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$5,784,297 and \$5,611,159, respectively, including amounts allocated to various expense and property account lines totaling \$268,170 and \$269,150.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
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NOTE 5 - LONG-TERM DEBT

The Division issued serial bonds in a prior year with graduating interest from 4.125% to 5% over the life of the bond. The bond has a maturity date of August 2025.

	<u>2022</u>	<u>2021</u>
Serial bond outstanding	\$ 715,000	\$ 965,000
Plus: unamortized premium	10,590	15,128
	<u>725,590</u>	<u>980,128</u>
Less: current maturities	(249,538)	(254,538)
Total bonds payable, long-term	<u>\$ 476,052</u>	<u>\$ 725,590</u>

Future debt service payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2023	\$ 245,000	\$ 16,068	\$ 4,538
2024	240,000	10,862	4,538
2025	<u>230,000</u>	<u>5,462</u>	<u>1,514</u>
Total	<u>\$ 715,000</u>	<u>\$ 32,392</u>	<u>\$ 10,590</u>

Debt Issuance Costs 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 method. These premiums and discounts are deferred and added to or subtracted from the outstanding principal balances for the bonds.

NOTE 6 - OTHER CURRENT AND ACCRUED LIABILITIES

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

	<u>2022</u>	<u>2021</u>
Compensated absences	\$ 681,128	777,369
Accrued wages	169,613	115,014
Collections liability	-	103,757
Accrued expenses	121,384	454,283
Accrued retirement	-	281,904
Health insurance liability	646,006	630,542
Pipeline purchase liability	-	110,000
	<u>\$ 1,618,131</u>	<u>\$ 2,472,869</u>

NOTE 7 - CHARGES FOR FUTURE BENEFITS

The Division recognizes the expense of compensated absences when paid. Accordingly, the expense has been deferred subject to the provision of the Topics of Codification 980. Charges for future benefits totaled \$681,128 and \$777,369 as of December 31, 2022 and 2021, respectively.

NOTE 8 - RELATED-PARTY TRANSACTIONS

There remains a loan obligation that was provided to the City of Jamestown, New York for District Chiller Equipment. The loan is paid in monthly installments of \$566, which includes interest of 2% through June 2024. The Division's receivable is reported on the Statements of Net Position as Due from the City of Jamestown, New York. Amounts due to the Division from the City amounted to \$0 and \$19,205 as of December 31, 2022 and 2021, 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, New York. 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 rendered.

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 \$96,642 for 2022 and 2021, respectively and are included in operating revenue.

The Division made payments in lieu of taxes to the City of Jamestown, New York and the Jamestown Public School District in the amounts of \$2,237,444 and \$1,548,126 for the year ended December 31, 2022 and \$2,192,008 and \$1,506,399 for the year ended December 31, 2021. This payment is calculated based on 5% of sales inside the City limits and 1% gross book value of operating property for the City and strictly 1% of gross book value of operating property for the School District.

NOTE 9 - 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.

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NOTE 9 – PENSION OBLIGATIONS (continued)

New York State and Local Retirement System (continued)

Plan Description (continued)

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 employers' contributions based on salaries paid during the system's fiscal year ending March 31st.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the Division reported the following liability (asset) for its proportionate share of the net pension liability (asset) to the System. The net pension liability (asset) was measured as of March 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of April 1, 2021. The Division's proportion of the net pension liability (asset) 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>3/31/2022</u>	<u>3/31/2021</u>
Net Pension (asset) liability	\$ (1,882,894)	\$ 24,653
Division's portion of the Plan's total net pension liability	.00230335%	.0247589%
Change in proportion since the prior measurement date	(.0001726%)	.0015114%
Pension expense at December 31, 2022	\$ 45,318	\$ 577,552

At December 31, 2022 and 2021 the Division's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

NOTE 9 – PENSION OBLIGATIONS (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

	2022	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 142,594	\$ 184,953
Change of assumptions	3,142,338	53,023
Net difference between projected and actual earnings on pension plan investments	-	6,165,689
Changes in proportion and differences between the Division's contributions and proportionate share of contributions	1,672,074	1,722,292
Division's contributions subsequent to the measurements date	544,095	-
Total	<u>\$ 5,501,101</u>	<u>\$ 8,125,957</u>

	2021	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 301,085	\$ -
Change of assumptions	4,532,966	85,493
Net difference between projected and actual earnings on pension plan investments	-	7,081,911
Changes in proportion and differences between the Division's contributions and proportionate share of contributions	56,500	133,214
Division's contributions subsequent to the measurements date	801,538	-
Total	<u>\$ 5,692,089</u>	<u>\$ 7,300,618</u>

Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending March 31:</u>	
2023	\$ (504,534)
2024	(714,335)
2025	(1,610,609)
2026	(339,473)

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
OF THE CITY OF JAMESTOWN, NEW YORK
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NOTE 9 – PENSION OBLIGATIONS (continued)

Actuarial Assumptions

The total pension liability as of March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with updated procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation used the following actuarial assumptions:

	2022	2021
Inflation	2.7%	2.7%
Salary Increases	4.4%	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Cost of living adjustments	1.4%	1.4%

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, 2022 and 2021 are summarized below:

Measurement date	2022		2021	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Asset Type:				
Domestic equity	32%	3.3%	32%	4.1%
International equity	15%	5.9%	15%	6.3%
Private equity	10%	6.5%	10%	6.8%
Real Estate	9%	5.0%	9%	5.0%
Opportunistic portfolio	3%	4.1%	3%	4.5%
Credit	4%	3.8%	4%	3.6%
Real assets	3%	5.6%	3%	6.0%
Bonds and mortgages	23%	-%	23%	-%
Cash	1%	-1.0%	1%	0.5%
Inflation-indexed bonds	-%	-%	-%	-%
Total:	<u>100%</u>		<u>100%</u>	

NOTE 9 – PENSION OBLIGATIONS (continued)

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% (5.9% - 2021). 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.

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

The following table presents the Division's allocated share of the City's proportionate share of the net pension liability calculated using the discount rate of 5.9% (5.9% - 2021), as well as what the Division's allocated share of the City's proportionate share of the net pension liability (asset) 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:

	2022		
	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Division's proportionate share of the net pension liability/(asset)	\$ 4,846,549	\$ (1,882,894)	\$ (7,511,748)

	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)

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NOTE 9 – PENSION OBLIGATIONS (continued)

Pension Plan Fiduciary Net Pension

The components of the current-year net pension liability of the employers as of March 31, 2022 and 2021 was as follows:

	(dollars in thousands)	
	2022 3/31/22	2021 3/31/21
Employers' total pension asset/liability	\$ 223,874,888	\$ 220,680,157
Plan net position	<u>232,049,473</u>	<u>220,580,583</u>
Employers' net pension (asset) liability	<u>\$ (8,174,585)</u>	<u>\$ 99,574</u>
Ratio of plan net position to be Employers' total pension liability	103.65%	99.95%

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, 2022 represent a three-month portion of the employer contribution for the Plan year April 1, 2022 through March 31, 2023. Prepaid retirement contribution amounted to \$181,365 and \$261,689 as of December 31, 2022 and 2021, respectively.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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 Other Postemployment Benefit plan (OPEB). 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 standalone 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.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Funding Policy (continued)

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

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	54	55
Active employees	61	71
Total	<u>115</u>	<u>126</u>

The Division's total OPEB liability of \$3,138,484 was measured as of October 1, 2022 and was determined by an actuarial valuation as of December 31, 2022.

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

	2022	2021
Inflation	2.53%	2.37%
Salary increases	3.53%	3.44%
Discount rate	4.40%	2.19%
Healthcare cost trend rates	4%-5.5%	4.37%-6.1%
BPUs' share of benefit-related costs	18%-68%	20%-70%

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 beneficiaries 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.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Changes in the Total OPEB Liability

	2022	2021
Balance, beginning of the year	\$ 3,432,327	\$ 3,730,562
Service costs	109,021	119,425
Interest	72,163	85,705
Changes of benefit terms	(45,613)	(98,170)
Differences between expected and actual experience	275,606	(145,220)
Changes in assumptions or other inputs	(458,793)	33,773
Benefit payments	(246,227)	(293,748)
Net change in total OPEB liability	(293,843)	(298,235)
Balance, end of the year	<u>\$ 3,138,484</u>	<u>\$ 3,432,327</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.19% in 2021 to 4.40%, effective December 31, 2022, the salary scale changed from 3.44% in 2021 to 3.53% effective December 31, 2022.

Change in benefit terms represents a change in the amount the BPU contributes towards premiums for retirees and their beneficiaries until age 65 from 20%-70% based on years of service to 18%-68%.

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.

	2022		
	1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
Total OPEB liability	\$ 3,350,464	\$ 3,138,484	\$ 2,947,044
	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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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 calculate using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	2022		
	1% Decrease (4.5% decreasing to 3%)	Healthcare Cost Trend Rates (5.5% decreasing to 4%)	1% Increase (6.5% decreasing to 5%)
Total OPEB liability	\$ 2,912,175	\$ 3,138,484	\$ 3,394,719
	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

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

For the year ended December 31, 2022 and 2021, the Division recognized OPEB expense (credit) of \$(121,063) and \$(286,711), 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 were \$246,227 and \$293,748 for the years ended December 31, 2022 and 2021, respectively.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB (continued)

At December 31, 2022 and 2021, the Division reported deferred outflows of resources and deferred inflow or resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,968	\$ 29,044
Changes of assumptions or other Inputs	6,755	354,522
Contributions subsequent to measurement date	62,233	--
Total	\$ 281,956	\$ 383,566

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 374,953
Changes of assumptions or other Inputs	137,663	--
Contributions subsequent to measurement date	74,244	--
Total	\$ 211,907	\$ 374,953

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

Year Ending December 31:		
2023	\$	(63,922)
2024		(41,633)
2025		(41,633)
2026		(16,655)

NOTE 11 – 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 21% and 13% of total operating revenue for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 – OPERATING REVENUES

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

	2022	2021
Electrical service revenues		
Residential	\$ 12,906,427	\$ 13,702,823
Commercial	9,627,414	10,299,030
Industrial	6,741,094	6,901,858
Operating municipalities	1,568,189	1,664,708
Other public authorities	991,664	1,033,198
Public station lighting	556,950	568,374
Penalties	121,910	44,087
Sales to other distributors	8,134,418	4,225,084
Steam sales	131,604	96,642
Miscellaneous revenues	476,627	550,691
UCAP revenue	2,016,277	2,399,800
Energy conservation revenue	422,997	375,329
	\$ 43,695,571	\$ 41,861,624

NOTE 13 – RESTRICTED NET POSITION

Plant Dismantling

Certain past revenues of the Division were set aside to fund the anticipated future costs associated with dismantling of the Division's existing power plant equipment. The plant dismantling reserve has been capped and only expenses have been deducted from this reserve in recent years.

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 cost. Actual contributions to the overhaul reserve were \$2,320,166 and \$1,415,601 for the years ended December 31, 2022 and 2021, respectively.

Energy Conservation

This initiative will focus on the education of both BPU Staff and the public regarding the impacts of energy usage behavior on a wide variety of levels, from both a cost and environmental perspective. Key structures within this initiative shall include customer education, contractor education, and community involvement. Principal funding of the plan is the "Energy Efficiency Program Charge" (EEPC) as approved by the Commission. The EEPC is a surcharge of \$0.001/kWh that was placed on BPU electric division customer's monthly bills beginning in the spring of 2009. Actual contributions to this plan were \$422,997 and \$406,603 for the years ended December 31, 2022 and 2021, respectively.

**ELECTRIC DIVISION - BOARD OF PUBLIC UTILITIES
OF THE CITY OF JAMESTOWN, NEW YORK
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

Commodity Derivatives

The Division utilizes future 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 administered 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 related to future contracts for natural gas derivative purchases is deemed immaterial to the financial statements as of December 31, 2022 and 2021. Cash collateral provided to counterparties amounted to \$1,672,251 and \$1,176,049 and is included within current assets on the Statements of Net Position as of December 31, 2022 and 2021, respectively.

The Division does not employ hedge accounting for commodity derivatives and, therefore, includes unrealized gains and losses on open derivative contracts as a component of cost of power. For the years ended December 31, 2022 and 2021, unrealized gains (losses) were \$532,003 and \$298,734, respectively.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

In the current year, the Division recorded prior period adjustments to eliminate its sales tax receivable and certain accrued liabilities which were overstated and eliminate the amount due from the City of Jamestown, New York which was paid in full in the prior year and therefore overstated. The Division's net position was restated as follows:

Sales tax receivable	\$	(361,433)
Due from City of Jamestown, New York		(17,061)
Collections liability		103,757
NYPA expense accrual		70,132
Accrued retirement		281,904
Total prior period adjustments	\$	<u>77,299</u>

NOTE 16 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

New York State Local Employees' Retirement System - Net Pension (Asset) Liability

As of the measurement date of March 31,	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension (asset) liability	0.0598290%	0.0584115%	0.0569336%	0.0584473%	0.0602267%	0.0614446%	0.0604838%	0.0600616%
Division's proportion of the net pension (asset) liability	0.0230335%	0.0247589%	0.0232475%	0.0229791%	0.0243725%	0.0248654%	0.0245195%	0.0240246%
Division's allocated share of the City's proportionate share of the net pension (asset) liability	\$ (1,882,894)	\$ 24,653	\$ 6,156,065	\$ 1,628,143	\$ 786,610	\$ 2,390,504	\$ 3,963,120	\$ 818,573
Division's covered-employee payroll	\$ 6,605,601	\$ 6,962,199	\$ 6,617,989	\$ 6,098,324	\$ 6,656,935	\$ 6,165,980	\$ 6,610,613	\$ 6,067,726
Division's allocated share of the City's proportionate share of the net pension (asset) liability as a percentage of its covered employee payroll	-28.50%	0.35%	93.02%	26.70%	11.82%	38.77%	59.95%	13.49%
Plan fiduciary net position as a percentage of the total pension (asset) liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

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

New York State Local Employees' Retirement System (ERS)

For the year ended March 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,068,715	\$ 1,046,757	\$ 888,990	\$ 847,430	\$ 905,890	\$ 936,316	\$ 930,239	\$ 992,429	\$ 1,134,709	\$ 1,235,271
Contributions in relation to the contractually required contribution	(1,068,715)	(1,046,757)	(888,990)	(847,430)	(905,890)	(936,316)	(930,239)	(992,429)	(1,134,709)	(1,235,271)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Division's covered-employee payroll	\$ 6,605,601	\$ 6,962,199	\$ 6,617,989	\$ 6,098,324	\$ 6,656,935	\$ 6,165,980	\$ 6,610,613	\$ 6,067,726	\$ 6,351,075	\$ 6,626,862
Contributions as a percentage of Division's covered-employee payroll	16.18%	15.03%	13.43%	13.90%	13.61%	15.19%	14.07%	16.36%	17.87%	18.64%

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

**SCHEDULE OF CHANGES IN THE DIVISION'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

As of December 31,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 109,021	\$ 119,425	\$ 158,466	\$ 188,365	\$ 188,105
Interest	72,163	85,705	139,971	230,670	205,184
Differences between expected and actual experience	275,606	(98,170)	(647,150)	(836,540)	-
Change in benefit terms	(45,613)	(145,220)	(1,439,101)	(603,277)	360,663
Changes in assumptions and other inputs	(458,793)	33,773	586,991	562,031	(137,139)
Benefit payments	(246,227)	(293,748)	(444,224)	(456,738)	(423,108)
Net change in total OPEB liability	(293,843)	(298,235)	(1,645,047)	(915,489)	193,705
Total OPEB liability - beginning	3,432,327	3,730,562	5,375,609	6,291,098	6,097,393
Total OPEB liability - ending	<u>\$ 3,138,484</u>	<u>\$ 3,432,327</u>	<u>\$ 3,730,562</u>	<u>\$ 5,375,609</u>	<u>\$ 6,291,098</u>
Covered-employee payroll	\$ 5,487,516	\$ 5,340,558	\$ 5,162,952	\$ 5,001,891	\$ 5,001,891
Division's net OPEB liability as a percentage of covered-employee payroll	57.19%	64.27%	72.26%	107.47%	125.77%

Notes to Schedule:

Benefit Changes: Change in the amount the BPU contributes towards premiums for retirees and their beneficiaries until age 65 from 20%-70% based on years of service to 18%-68%.

Significant methods and assumptions used to determine contribution rates:

Discount rate	4.40%
Inflation	2.53% per year
Healthcare cost trend rates	5.5% initial, then between 4.21% - 6.00% through 2070, ultimate of 4.00%
Salary increases	3.53% as of December 31, 2022
Mortality Improvement	MP-2021, fully generational.