



## **Massena Electric Department**

(An Enterprise Fund of the Town of Massena, New York)

Financial Report

December 31, 2025 and 2024

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Financial Report

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## Independent Auditor's Report

Board of Directors  
Massena Electric Department

### Report on the Audits of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Massena Electric Department (Department), an enterprise fund of the Town of Massena, New York, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Department'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 financial position of the Department as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 Department'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements - Continued***

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 Department'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 management's discussion and analysis on pages 4 through 16 and the schedules listed in the table of contents on pages 37 through 39 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 GAAS, 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 audits 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.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections in management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



***Other Information - Continued***

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Latham, New York  
May 28, 2026



# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

The Massena Electric Department, hereafter referred to as the "Department," is pleased to present its Financial Report for the year ended December 31, 2025, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information presented on pages 4 to 16 in conjunction with the Department's financial statements (presented on pages 17 to 19) to enhance their understanding of the Department's financial performance.

### Responsibility and Controls

The Department has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Department's system of internal accounting controls is evaluated on an ongoing basis by the Department's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Finance Committee of the Department's Board of Directors serves the role of an Audit Committee. It is composed of members of the Board who are not employees and who provide a broad overview of management's financial reporting and control functions. Periodically, this Committee meets with management and the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Department's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Department in conformity with accounting principles generally accepted in the United States of America.

### Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, BST & Co. CPAs, LLP, is included on pages 1 through 3 of this report.

This section presents management's discussion and analysis of the Department's financial condition and activities for the year ended December 31, 2025. This information should be read in conjunction with the financial statements.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### General Trends and Significant Events

- As of December 31, 2025, plant in service totaled over \$42.45 million. Gross additions during 2025 were \$1.3 million and made with no new debt issued. Additions included improvements to the distribution system, the purchase of a new digger derrick and replacement of various transformers throughout the Department's service territory.
- Current assets increased slightly from \$9.7 million as of December 31, 2024 to \$9.8 million. Current liabilities increased to \$2.6 million as of December 31, 2025. The Department's current ratio remained strong at over 3.8:1 for 2025.
- Other liabilities, less current installments, were similar at the end of 2025 compared to the prior year. These liabilities were \$2.83 million at year end.
- Megawatt hours (MWh) <sup>1</sup> sold remained above 200,000 for the fifth year in a row. 2025 MWh sold totaled 203,103, down from 2024. Sales to customers increased to \$15.6 million, a new high for the Department. The previous high was \$14.0 million in 2014.
- The net position of the Department decreased by \$194,500 in 2025 due to higher Operating expenditures. Additional interest income offset some of the net operating loss. Interest income remained high in 2025 and totaled \$368,200.
- Operating expenses totaled \$16.2 million, a \$3.2 million increase compared to 2024 expenditures. The increase was attributed to higher purchase power costs during 2025. Electricity Purchased totaled \$10.3 million, a \$3.0 million increase from 2024. The increase occurred even though MWhs purchased were lower in 2025 compared to 2024. The average cost for electricity purchased was 4.9¢ / kWh in 2025, 1.5¢ / kWh higher than the cost in 2024.
- After several years paying 6.0¢ or less per kWh, the Department's customer paid over 7.5¢ / kWh during 2025. The increase was attributed to the higher cost for electricity. The amount paid by customers remained well below the New York State average of 19.7¢ / kWh<sup>2</sup>. Residential customers paid 8.0 ¢ in 2025, 16.4¢ less than the 2024 New York average for residential customers of 24.4¢ / kWh<sup>3</sup>.
- The Department spent over \$247,500 during 2025 to reduce energy consumption and on projects to improve operations. Programs utilized helped residential and commercial customers lower their energy usage by implementing energy efficient improvements. Project investment included additional spending related to Advanced Meter Infrastructure (AMI).
- 2025 marked the 21<sup>st</sup> consecutive year that the Department received "Tree Line USA<sup>®</sup>" designation by the Arbor Day Foundation. This designation is in recognition of the Department's commitment to the environment and the community.



### Required Financial Statements

The financial statements of the Department report information about the Department's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

<sup>1</sup> A Megawatt Hour (MWh) = 1,000 kWh

<sup>2</sup> 2025 Data from forms EIA-861-schedules 4A-D, EIA-861S and EIA-861U

<sup>3</sup> 2025 Data from forms EIA-861-schedules 4A-D, EIA-861S and EIA-861U

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Required Financial Statements (Continued)

The statement of net position includes all of the Department's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Department creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Department, and assessing the liquidity and financial flexibility of the Department.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Department's operations over the past year and can be used to determine whether the Department has successfully recovered all of its costs through its electric rates and other fees as approved by the New York Department of Public Service (PSC) and subsequently adopted by the NYPA Board of Trustees.

The final required financial statement is the Department's statement of cash flows. The primary purpose of this statement is to provide information about the Department's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Department's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

### Summary of Organization and Business

The Massena Electric Department is part of the Town of Massena and operates an electric distribution system in northern New York. The Department operates the municipal electric utility under the guidance of the five-member Massena Electric Utility Board (MEUB) appointed by the Town Board of Massena. Each board member is appointed to a five-year staggered term. The distribution system was acquired through condemnation from the Niagara Mohawk Power Corporation in 1981. The Department represents the last successful municipalization of an electric utility in New York State.

The Department serves over 9,600 customers. The service territory exceeds 130 square miles. Department customers reside in the Town of Massena, Village of Massena, and portions of the towns of Louisville, Norfolk, Brasher, and Stockholm.

The Department purchases all of the power it distributes. Most of the power purchased is through a bilateral contract with NYPA for low-cost hydroelectric power under provisions of the Niagara Redevelopment Act, 16 U.S.C. § 836, *et seq.* From November 1, 2002 through April 30, 2019 supplemental power, electricity requirements above the allocation from NYPA, was supplied by the New York Municipal Power Agency (NYMPA). Commencing on May 1, 2019, the Department ceased involvement with NYMPA and changed its supplemental power supplier to NYPA.

The Department's assets include the main office, two primary substations and two secondary substations. Additionally, there is a fleet of large utility and other vehicles which support on-going operations, as well as the poles, wires and hardware found throughout the system.

The revenues of the Department are based on metered electric service provided to users throughout the system. Additional revenue is generated from pole attachment agreements with cable television and phone service providers. The Department makes PILOT (Payment In Lieu of Taxes) payments to the Town of Massena, the local school system and the County of St. Lawrence for assets within the Town of Massena.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Summary of Organization and Business (Continued)

For assets outside of the Town of Massena, the Department pays taxes as if it were a private concern. The Department receives no financial assistance from the Town of Massena but does bill the Town for the electricity it uses.

### General Company Information

<u>Selected Data</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Employees at year-end	19	20	20
Electric customers	9,614	9,655	9,613
Annual electric sales (in thousands)	\$ 15,452	\$ 12,477	\$ 12,459
MWh delivered	203,103	209,724	212,060
Residential customers	120,340	113,978	115,490
Commercial customers/industrial	79,861	92,872	93,724
Other	2,902	2,874	2,846
Average annual consumption - kWh			
Residential	14,809	13,975	14,129
Industrial	417,497	509,753	505,552
Average annual revenue			
Residential	\$ 1,190	\$ 866	\$ 883
Industrial, includes demand	\$ 26,960	\$ 26,444	\$ 24,538

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Analysis

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

### Condensed Statements of Net Position

	December 31,		
	2025	2024	2023
Current assets	\$ 9,811,377	\$ 9,707,561	\$ 9,989,761
Reserved assets	4,063,236	3,979,676	3,902,018
Deferred outflows	854,661	1,152,327	932,018
Capital assets, net	20,478,876	20,450,060	20,032,914
<b>Total assets and deferred outflows</b>	<b>\$ 35,208,150</b>	<b>\$ 35,289,624</b>	<b>\$ 34,856,711</b>
Current liabilities	\$ 2,578,571	\$ 2,065,834	\$ 1,785,586
Long-term liabilities	2,827,714	2,841,326	2,502,600
Deferred inflows	643,600	1,074,522	1,477,021
Total liabilities	6,049,885	5,981,682	5,765,207
Invested in capital assets, net of related debt	20,478,876	20,450,060	20,032,914
Unrestricted	8,679,389	8,857,882	9,058,590
Total net position	29,158,265	29,307,942	29,091,504
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 35,208,150</b>	<b>\$ 35,289,624</b>	<b>\$ 34,856,711</b>

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Analysis (Continued)

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,		
	2025	2024	2023
Operating revenue	\$ 15,579,940	\$ 12,604,950	\$ 12,558,631
Non-operating revenue	420,795	551,285	383,692
Total revenue	<u>16,000,735</u>	<u>13,156,235</u>	<u>12,942,323</u>
Depreciation expense	1,221,853	1,198,254	1,165,703
Other operating expenses	14,968,335	11,816,135	10,591,345
Non-operating expense	5,062	5,869	4,863
Total expenses	<u>16,195,250</u>	<u>13,020,258</u>	<u>11,761,911</u>
Net income (loss)	(194,515)	135,977	1,180,412
<b>NET POSITION, <i>beginning of year</i></b>	29,307,942	29,091,504	27,804,996
Contributions and other reductions, net	44,838	80,461	106,096
<b>NET POSITION, <i>end of year</i></b>	<u><b>\$ 29,158,265</b></u>	<u><b>\$ 29,307,942</b></u>	<u><b>\$ 29,091,504</b></u>

### Financial Condition

The Department's overall financial position remained strong during 2025. Total assets, less accumulated depreciation, were \$35.2 million at year-end with current assets equaling \$9.8 million. Plant in service increased to \$42.4 million during 2025. Current liabilities at \$2.6 million were higher than the previous year. The increase was attributed to higher electricity purchased expenses during December. These costs totaled over \$1.6 million for the month, which was over \$500,000 more than the previous years, and reflected in accounts payable at year end.

Electricity purchases are passed on to customers through the Purchase Power Adjustment Charge (PPAC). Each kWh sold by the Department is charged the PPAC. The per kWh billed during a month is based on the electricity expenses from the prior month, causing a one-month delay in revenues earned by the Department for charges related to electricity. This delay contributed to the net operating loss for 2024 and 2025. The revenue related to December 2025 power costs were billed during January 2026 and will be reflected in the 2026 financial statements of the Department.

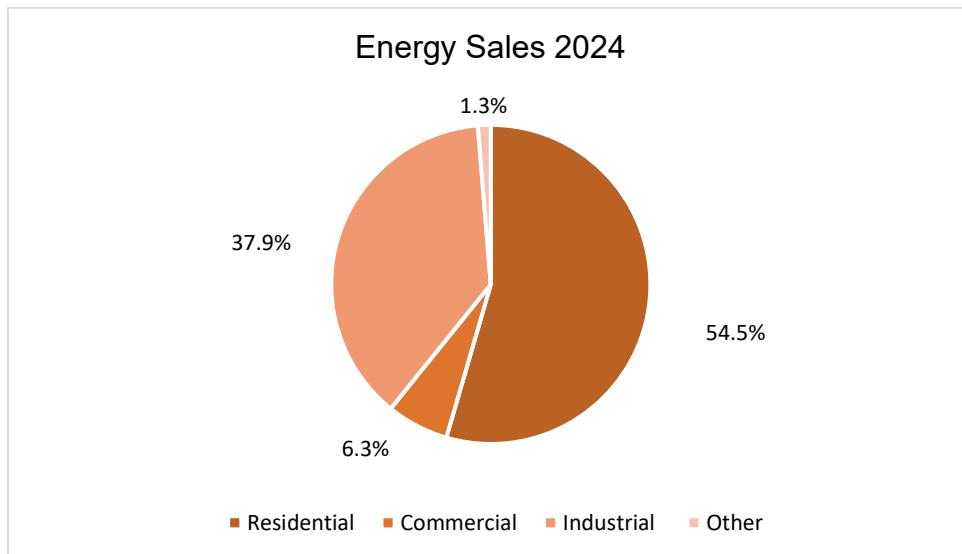
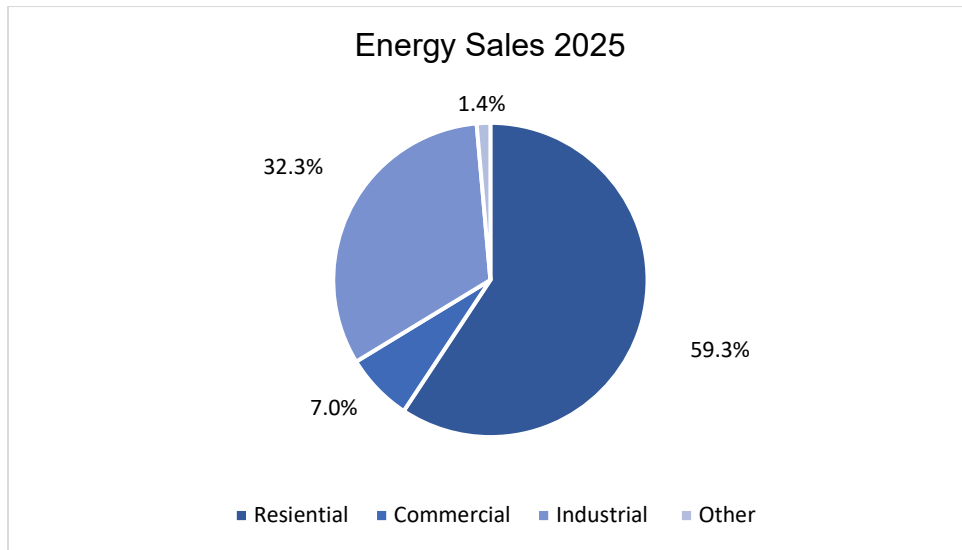
# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Condition (Continued)

MWhs sold were lower in 2025 compared to both 2024 and 2023. 203,100 MWh of energy was sold in 2025, a 3.2% decrease compared to 2024. Sales to residential customers increased compared to 2024 represent the majority of MWh sold by the Department. In 2025 MWh sold to residential customers accounted for over 59% of all MWh sold. Electricity sold to commercial and industrial declined and represented just under 40% of the total MWh sold by the Department.



Colder temperatures during the heating months contributed to higher residential sales in 2025. Residential consumption continues to be more than double the New York State average of 571 kWh<sup>4</sup>. In 2025 monthly residential consumption exceeded 1,200 kWh, the second time the monthly total exceeded 1,200 kWh. 2022 was the prior year monthly consumption was this high.

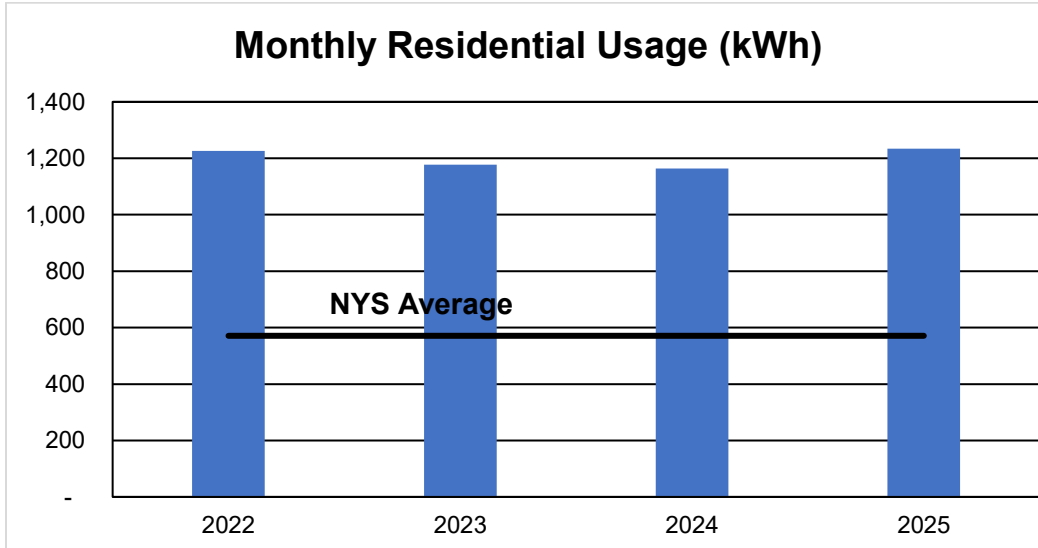
<sup>4</sup> 2025 Residential Data from forms EIA-861-schedules 4A-D, EIA-861S and EIA-861U

# Massena Electric Department

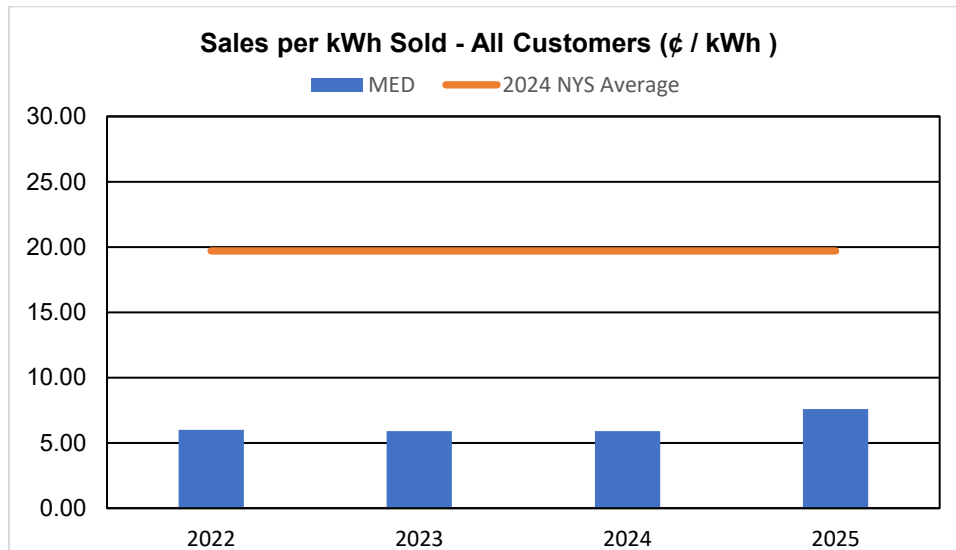
(An Enterprise Fund of The Town of Massena, New York)

Management's Discussion and Analysis  
December 31, 2025 and 2024

## Financial Condition (Continued)



After several years of flat prices paid by the Department's customers, sales per kWh increased to 7.6¢ in 2025. Residential customers also paid more compared to previous years. At 8.0¢ per kWh, the Department's residential customers still pay some of the lowest per kWh rates in the country and well below the New York State Average the previous two years, 24.4¢<sup>5</sup> and 22.2¢<sup>6</sup> in 2024 and 2023 respectively.



<sup>5</sup> 2024 Residential Data from forms EIA-861-schedules 4A-D, EIA-861S and EIA-861U

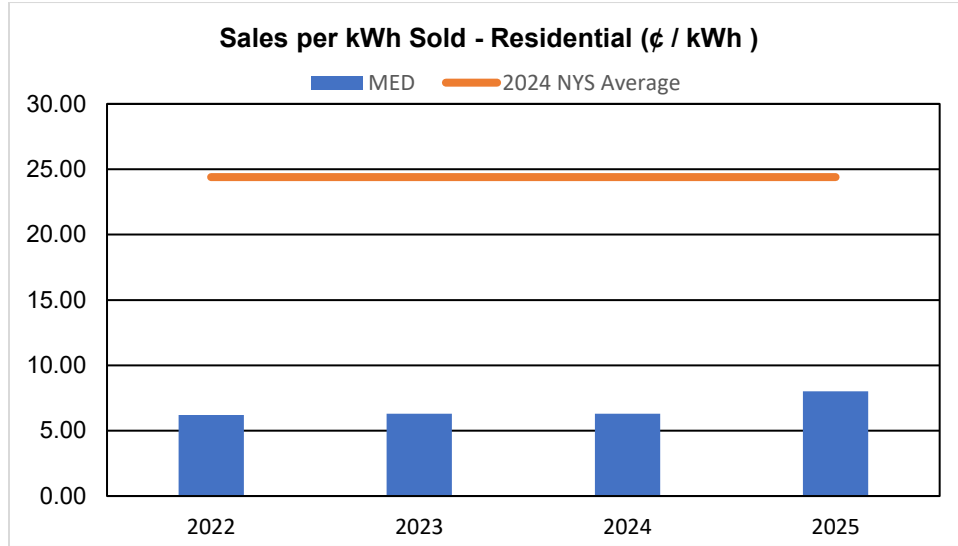
<sup>6</sup> 2023 Residential Data from forms EIA-861-schedules 4A-D, EIA-861S and EIA-861U

# Massena Electric Department

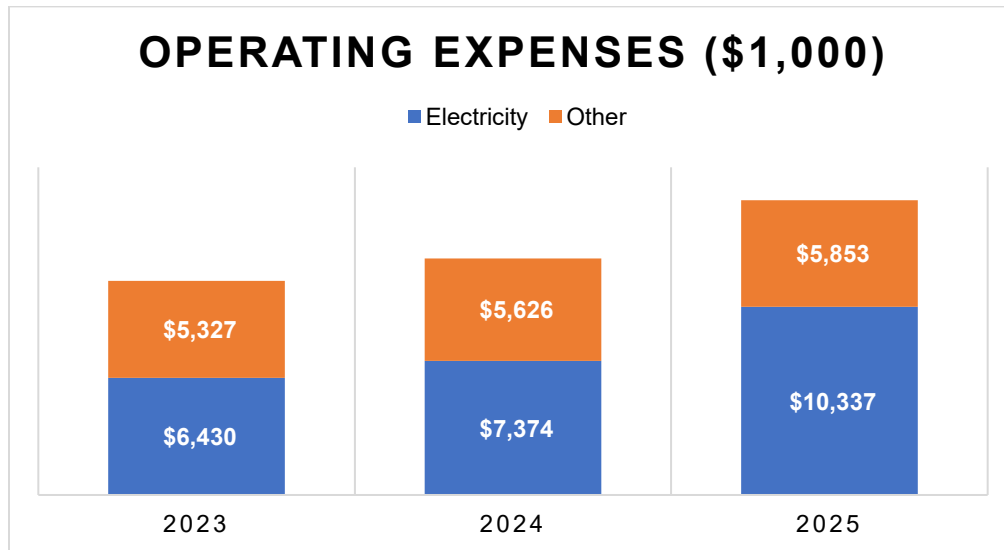
(An Enterprise Fund of The Town of Massena, New York)

Management’s Discussion and Analysis  
December 31, 2025 and 2024

## Financial Condition (Continued)



Total expenditures for 2025 were higher than prior years and totaled \$16.2 million, a 24% increase compared to 2024. Electricity costs accounted for nearly all the increase. Cold temperatures in December contributed to the higher electricity costs in 2025.



Supplemental energy, energy purchased that is above the hydroelectric energy received from NYPA, impacts the PPAC each month and the per kWh paid by customers. The Department is a full-requirements customer of NYPA and under the agreement with NYPA, supplemental energy purchases are billed at the Day-Ahead Locational Marginal Based Price (LBMP) for Zone D (North), as determined by the New York Independent System Operator (NYISO).

# Massena Electric Department

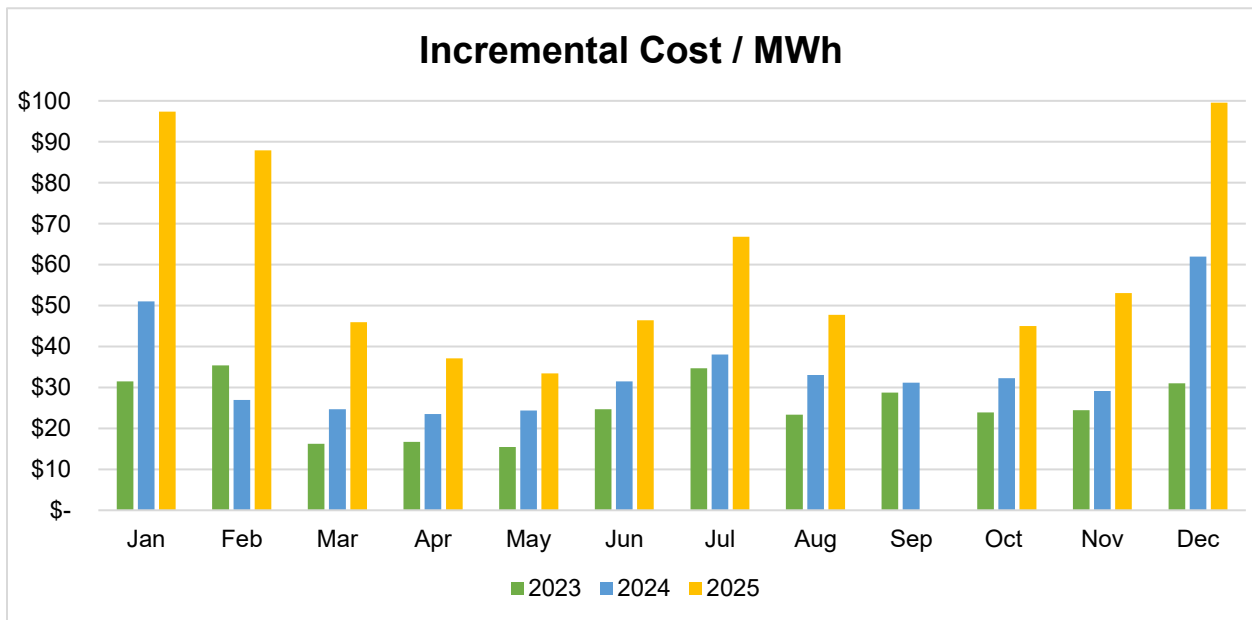
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## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Condition (Continued)

During 2025 incremental energy purchases by the Department were similar to previous years. The Department purchased 64,795 MWh of incremental energy, representing one-third the total energy purchased in 2025. The incremental energy rate paid exceeded \$70 / MWh for 2025, with the cost per MWh being over \$85 / MWh for the months of January, February and December. Total power costs were \$10.3 million for 2025. The combined cost of incremental energy for these three months was \$3.2 million, one-third the total spent in 2025. During the other nine months of 2025 the Department spent under \$1.5 million on incremental energy, and at rate averaging less than \$50 per MWh.

2025 expenses reflect the full impact of these high-cost months. Recovery of higher electricity costs from January occurred during subsequent months through the PPAC. Revenues for 2025 do not include recovery of the electricity costs from December 2025. Total electricity costs for December exceeded \$1.5 million. Customers of the Department are billed based on energy consumed between reading dates. The usage related to energy consumption in December 2025 was not billed and recognized until January 2026. This delay resulted in revenues being significantly lower in December compared to the electricity expenses recognized in the financial statements and contributed to the operating loss in 2025.



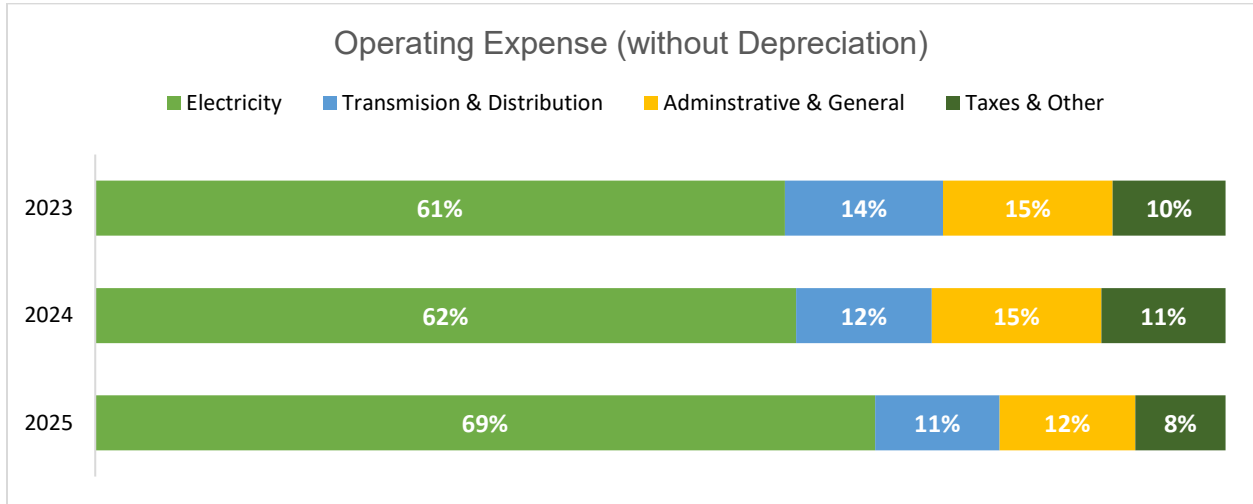
Also included in power costs are transmission and NYISO charges. These were higher again in 2025 compared to previous years and contributed to electricity costs accounting for 69% of total expenditures less depreciation during the year. Administrative and general (A&G) expenditures totaled \$1.8 million, the same as in 2024. Taxes and expenditures related to the operation and maintenance of the Department's transmission and distribution infrastructure were both higher in 2025. Property taxes and other expenses totaled over \$1 million in 2025. Transmission and distribution expenses were over \$1.6 million for the year.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Condition (Continued)



### Energy Efficiency

“Energy Makeover” programs offered by the Department to assist residential, commercial and landlords who own property within the Department’s service territory lower energy consumption remained underutilized in 2025. An energy audit by a Building Performance Institute (BPI) auditor is performed as part of the “Energy Makeover” program. The audit fee to the customer is at a significantly reduced rate with the balance of the audit expense being paid by the Department. All participants receive an audit listing possible improvements to make their home or business more efficient. Participants are then eligible to receive a bill credit for all verified improvements.

Due to low participation in the “Energy Makeover” programs, the Department did offer free attic inspections to customers in certain areas of the service territory. This pilot program focused on areas served by heavily loaded distribution circuits during the heating months. High use customers on the circuits were initially targeted and if the audit identified areas that additional insulation was needed, the Department offered to pay for the added insulation.

Under the pilot only a few homes responded to the initial outreach and a total of three customers received additional insulation to their home at no cost to them. The annual energy savings for the three homes was over 13 MWh annually. Even though only a small number participated, the Department intends to expand on this program in 2026 to help lower usage on certain circuits.

Weatherization kits were distributed to low-income customers again during the heating months of 2025 (January, February, November and December). The kits distributed were similar to previous years and included weatherstripping, door sweeps, window insulating kits and two 9w LED bulbs. Customers were able to pick up kits when paying their bill.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Condition (Continued)

#### *Energy Efficiency (Continued)*

The changeover of high-pressure sodium street and private areal lights (PAL) to more efficient LED fixtures continued in 2025. Fewer lights have been changed by the Department as this project is near completion. Overall, the Department has replaced over 1,500 high pressure sodium lights. As of December 31, 2025, the Department had spent \$700,000 upgrading fixtures to LED. These more efficient lights are expected to reduce annual energy purchased by over 650 MWh.

In 2025 the Department was once again recognized by the Arbor Day Foundation for its commitment to proper maintenance standards for tree care, investing in the community's beautification through tree planting and for promoting the positive impact trees can have on energy efficiency. Various parts of the community have benefited from the Department's tree planting activities, in addition the Department conducted educational events with students from second grade through high school. During these events Department staff discussed how trees can help the environment and guidance on proper tree planting. Seedlings were also distributed as part of these events.

The efficiency programs offered by the Department are funded from reserves held by the Department and an energy efficiency adder charged to a large industrial customer.

#### *Safety*

As of December 31, 2025, the Department had been 1,031 days since its last lost time incident (Lost Work Case or LWC). The last injury resulting in time off was in June of 2022. This is the fourth longest duration between LWC for the Department. There were no reportable injuries during 2025. Employee safety remains a priority for the Department. To ensure the best practices are followed, and all advisable and required training is completed, the Department continued its practice of using outside consultants to supplement in-house training.

### Longest Periods Between LWC

	<b>No. Days</b>	<b>Start</b>	<b>End</b>
1 -	3,432	3/31/2006	8/21/20215
2 -	1,287	8/21/2002	2/28/2006
3 -	1,181	8/21/2015	11/14/2018
4 -	1,031	6/9/2024	Present

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Financial Condition (Continued)

#### Reliability

The number of incidents (SAIFI) was similar for 2025 compared to 2024. When an outage did occur, the average time a customer was without power (SAIDI) and the average duration of the outage (CAIDI) were both longer in 2025. Increases to the SAIDI and CAIDI were attributed to an equipment failure event in January and a couple of vehicle accidents that damaged poles and other equipment owned by the Department. All the reliability metrics were still well below the national average and the neighboring utilities.

#### Reliability Indices

	2025	2024	2023
SAIDI	21.06	17.43	29.00
SAIFI	.32	.37	.67
CAIDI	65.41	46.80	43.50

A significant number of trees in the Department's service territory are a danger to the community and a potential cause for outages due to the emergence of the Emerald Ash Borer (EAB). The Department expanded its tree trimming and line clearing activities with Putney Tree Service to include work focusing on trees impacted by the EAB. In 2024 the Department received a grant from the New York State Department of Conservation (NYSDEC) to pay for removal of infested trees in the eastern part of the service territory. Work related to this grant started in late 2025 and will be completed in 2026. Addressing the EAB is time-consuming and an expensive undertaking for the Department. Receiving the NYSDEC grant will offset some of the costs the Department will incur to address this issue.

#### Long-Term Obligations

As of December 31, 2025, the Department had no outstanding debt. The Department has accrued long-term liabilities for postemployment health care insurance benefits, unpaid sick leave and the Department's share of the NYSR net pension liability. The majority of the liability accrued through December 31, 2025 is related to postemployment health care benefits. The accrued liability related to these benefits is based on an actuarial report performed by a third party.

More detailed information about the Department's obligations is presented in Notes 3 and 4 to the financial statements.

#### Final Comments

Electricity costs remain a concern of the Department. This includes incremental energy which is based on pricing through NYISO and the firm hydroelectric power received from NYPA,. Pricing of incremental energy was higher throughout the year compared to previous years. In both January and December pricing averaged over \$95 / MWh, and in February over \$85 / MWh. These prices were over \$25 / MWh higher than the \$60 / MWh from December 2024, the highest cost month from the prior year.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Final Comments (Continued)

Pricing in early January 2026 increased even further as temperatures remained below freezing for the month. Many of the new resources coming on-line are renewable generation that operate intermittently. During certain situations, including cold weather events, significant price increases have occurred due to unavailable generation. These higher costs are then passed on to customers through a higher PPAC. The Department continues to look at ways to minimize the price swings that occur. With the uncertainty of future legislation, the Department also engages the state and federal government directly and as an active American Public Power Association (APPA), and New York Association of Public Power (NYAPP) member. The Department is also considering additional programs to help customers lower energy consumption and the impact electric expense has on their monthly budget.

The "preference rate" (price charged to municipal utilities for hydroelectric power received from NYPA as part of the Niagara Redevelopment Act) has remained unchanged since 2014. Cost increases for equipment, employee related expenditures and compliance requirements are some reasons NYPA is proposing an increase to the preference rate in 2026. NYPA has also requested a change in how capital costs are recovered through the rate. Initial cost of service data from NYPA indicated the preference rate would increase significantly. The Department, and other preference customers, engaged with NYPA regarding the increase. After over a year of negotiations the proposed increase from NYPA will be phased in over multiple years starting April 1, 2026 with an annual impact far less than originally projected.

The all-in rate is presently 1.2¢ / kWh (demand and energy charge). Under the new preference rate the Department would pay 1.47¢ during the first year and by 2031, the final year of the rate plan, the preference rate would be roughly double what it is today at 2.2¢ / kWh. Any preference rate increase would be directly passed on to customers through the PPAC. The projected increase to residential customers is less than \$2.00 per month at the start. During the final year of the rate plan, the impact will be between \$8.00 and \$9.00 per month. These costs will be recovered based on kWh consumed by customers. Higher usage customers, including commercial and industrial customers, will see a larger increase in their electric bills as result of this increase.

Over the next two years the Department intends to invest in new technologies and equipment to better serve its customers. Based on expected cash flows and existing reserve balances, the Department does not intend to issue debt to complete the projects being considered. The largest project is a full deployment of Advance Metering Infrastructure (AMI) by the end of 2027. The Department originally planned to start installing equipment in 2024. This was delayed and will now begin in 2026. Infrastructure will facilitate two-way communication with all meters, expand on the fault locator pilot started in 2023 and allow for greater load control capabilities, including control of electric water heaters within the Department's service territory.

The Department's rates have remained unchanged since 2018, the final year of the rate structure approved by the PSC in 2016. Increases in equipment costs, personnel and other operating expenses contributed to the net operating loss of \$610,000 in 2025 and a 2024 loss of \$409,000. In 2024 the loss was offset by other income earned by the Department including \$428,000 in interest income resulting in a net profit for the year. During 2025 interest income did exceed \$368,000. Even with this interest income, the Department still experienced a net loss of \$194,500.

To address the increases in costs and recover investment in projects designed to provide a safe work environment for staff and provide reliable service to its customers, on the recommendation of staff, the Department's Board of Directors requested a rate review by NYPA. The Department's board passed a resolution at the November meeting requesting the review. This is the first review done by NYPA. Rates charged to all service classes of the Department will be reviewed during this process. Any changes to the rates charged by the Department will require approval by the Department's board and the NYPA Board of Trustees. In addition to approval from the governing bodies of the Department and NYPA, a public hearing will be held allowing customers to submit comments regarding any rate changes. NYPA has indicated this process will take more than a year to complete. Based on the projected time to complete the review, any approved changes will be implemented in either the 2<sup>nd</sup> or 3<sup>rd</sup> quarter of 2027.

# Massena Electric Department

(An Enterprise Fund of The Town of Massena, New York)

## Management's Discussion and Analysis December 31, 2025 and 2024

### Contacting the Department's Financial Manager

The financial report is intended to provide a general overview of the Department's financial position, and to illustrate the Department's accountability for the revenue it receives. If you have any questions about this report or need additional financial information, contact the Massena Electric Department's Controller, P.O. Box 209, Massena, New York 13662.

### Principal Officials (The Department)

The Department's Board of Directors, whose members are appointed by the Town of Massena's Board, are as follows:

Name of Officer	Title	Term of Service	
		Beginning	Ending
James Shaw	Chairman of Board	January 1, 2025	December 31, 2029
Rene Hart	Vice President	January 1, 2024	December 31, 2028
*Richard Maginn	Board Member	January 1, 2021	December 31, 2025
**Mark Ryan	Board Member	October 16, 2024	December 31, 2026
Charles Raiti	Board Member	January 1, 2023	December 31, 2027

\* John Finnegan was appointed by the Massena Town Council to replace Richard Maginn and will serve from January 1, 2026 to December 31, 2030

\*\* Mark Ryan was appointed by the Massena Town Council to complete the term of John Bogosian, who retired from the Board of Directors in October 2024.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Statements of Net Position

	December 31,	
	2025	2024
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CAPITAL ASSETS</b>		
Plant in service, at original cost	\$ 42,453,429	\$ 41,856,021
Less accumulated depreciation	22,665,969	21,753,007
	<u>19,787,460</u>	<u>20,103,014</u>
Construction work in process	691,416	347,046
Total capital assets	<u>20,478,876</u>	<u>20,450,060</u>
<b>RESERVED ASSETS</b>		
Cash and cash equivalents	1,194,712	814,015
Investments	2,868,524	3,165,661
Total reserved assets	<u>4,063,236</u>	<u>3,979,676</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unreserved	431,427	776,962
Investments, unreserved	6,405,761	6,553,416
Accounts receivable	1,425,496	871,946
Inventory	1,181,366	1,139,501
Prepaid expenses	367,327	365,736
Total current assets	<u>9,811,377</u>	<u>9,707,561</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to net pension liability	513,549	696,189
Deferred outflows related to accrued postemployment health benefits	341,112	352,138
Deferred outflows related to amounts to be collected from customers	-	104,000
	<u>854,661</u>	<u>1,152,327</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 35,208,150</u></b>	<b><u>\$ 35,289,624</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>NET POSITION</b>		
Net investment in capital assets	\$ 20,478,876	\$ 20,450,060
Unrestricted	8,679,389	8,857,882
	<u>29,158,265</u>	<u>29,307,942</u>
<b>OTHER LIABILITIES, less current installments</b>		
Accrued postemployment health benefits	2,434,870	2,525,851
Net pension liability	173,733	153,810
Accrued sick leave	219,111	161,665
	<u>2,827,714</u>	<u>2,841,326</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	2,251,391	1,622,865
Accrued postemployment health benefits	172,146	178,215
Customer deposits	155,034	264,754
Total current liabilities	<u>2,578,571</u>	<u>2,065,834</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to net pension liability	150,047	525,748
Deferred inflows related to accrued postemployment health benefits	493,553	548,774
	<u>643,600</u>	<u>1,074,522</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 35,208,150</u></b>	<b><u>\$ 35,289,624</u></b>

See accompanying Notes to Financial Statements.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Statements of Revenues, Expenses, and Changes in Net Position

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>OPERATING REVENUES</b>		
Residential	\$ 9,672,482	\$ 7,060,444
Industrial	4,232,785	4,098,753
Commercial	1,124,318	932,607
Other	550,355	513,146
	<u>15,579,940</u>	<u>12,604,950</u>
<b>OPERATING EXPENSES</b>		
Production		
Electricity purchased	<u>10,336,771</u>	<u>7,373,845</u>
Distribution		
Operations	1,096,121	1,017,239
Repairs	108,160	63,716
	<u>1,204,281</u>	<u>1,080,955</u>
Other operating expenses		
Transmission	167,679	28,535
Maintenance of poles, towers, fixtures, and conduits	214,453	301,308
Street lighting and signal system	74,538	51,444
Consumers' accounting and collecting	452,837	521,093
Property taxes	621,361	616,536
Uncollectible revenues	77,734	27,056
	<u>1,608,602</u>	<u>1,545,972</u>
Depreciation	<u>1,221,853</u>	<u>1,198,254</u>
Administrative and general		
Salaries, employee benefits, and related expenses	1,466,486	1,459,922
Other	352,195	355,441
	<u>1,818,681</u>	<u>1,815,363</u>
Total operating expenses	<u>16,190,188</u>	<u>13,014,389</u>
<b>Net operating loss</b>	<b><u>(610,248)</u></b>	<b><u>(409,439)</u></b>
<b>OTHER INCOME (EXPENSE)</b>		
Other income	52,614	122,659
Interest income	368,181	428,626
Interest expense	(5,062)	(5,869)
	<u>415,733</u>	<u>545,416</u>
<b>Net income (loss)</b>	<b><u>(194,515)</u></b>	<b><u>135,977</u></b>
<b>NET POSITION, <i>beginning of year</i></b>	29,307,942	29,091,504
<b>CONTRIBUTIONS AND OTHER REDUCTIONS OF NET POSITION</b>		
Contributions to Town of Massena	(9,082)	(5,015)
Energy Efficiency Program expenditures, net of contributions	(38,646)	(21,586)
Contributions in aid of construction	92,566	107,062
<b>NET POSITION, <i>end of year</i></b>	<b><u>\$ 29,158,265</u></b>	<b><u>\$ 29,307,942</u></b>

See accompanying Notes to Financial Statements.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Statements of Cash Flows

	Years Ended December 31,	
	2025	2024
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,948,656	\$ 12,461,247
Cash paid to suppliers and other vendors	(12,256,891)	(9,360,706)
Cash paid for salaries and employee benefits	(2,111,624)	(2,269,846)
	<b>580,141</b>	<b>830,695</b>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Interest income	368,181	428,626
Purchase of investments	(3,120,358)	(4,424,352)
Proceeds from sale of investments	3,565,150	4,417,631
	<b>812,973</b>	<b>421,905</b>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>		
Contributions to Town of Massena	(9,082)	(5,015)
Other income	52,614	122,659
	<b>43,532</b>	<b>117,644</b>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase/construction of utility plant	(1,641,227)	(1,791,143)
Cost to remove utility plant components	(141,646)	(127,689)
Proceeds from disposition of utility plant components	332,531	106,762
Interest expense	(5,062)	(5,869)
Contributions to energy efficiency program	(38,646)	(21,586)
Contributions received in aid of construction	92,566	107,062
	<b>(1,401,484)</b>	<b>(1,732,463)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35,162</b>	<b>(362,219)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,590,977	1,953,196
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,626,139</b>	<b>\$ 1,590,977</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (610,248)	\$ (409,439)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	1,221,853	1,198,254
Depreciation charges allocated to operating expenses or utility plant	199,673	196,670
Uncollectible revenues	77,734	27,056
(Increase) decrease in		
Accounts receivable	(631,284)	(143,703)
Inventory	(41,865)	(814)
Prepaid expenses	(1,591)	(33,495)
Deferred outflows of resources	297,666	(220,309)
Increase (decrease) in		
Accrued postemployment health benefits	(97,050)	342,706
Net pension liability	19,923	(69,192)
Accrued sick leave	57,446	38,135
Accounts payable and accrued expenses	628,526	310,799
Customer deposits	(109,720)	(3,474)
Deferred inflows of resources	(430,922)	(402,499)
	<b>\$ 580,141</b>	<b>\$ 830,695</b>

See accompanying Notes to Financial Statements.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies

The Massena Electric Department (Department) is engaged in the distribution of retail electric power in the Town of Massena, New York (Town) and several surrounding communities. The Department owns and operates distribution facilities and supplies electricity to approximately 9,750 customers. The Department is managed and reported as an enterprise fund of the Town and is subject to regulation by the New York Power Authority (NYPA) with respect to wholesale power purchased, rate structure, accounting, and other matters.

The Department commenced operations on May 8, 1981, following the acquisition of its franchise area and distribution plant from Niagara Mohawk Power Corporation (NMPC).

The Department is managed by a Board of Directors (Board) appointed by the Town Board.

#### *a. Basis of Accounting and Financial Statement Presentation*

The Department's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities of the Department are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Department is determined by its measurement focus. The transactions of the Department are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position.

Net position may be classified into three components, as follows:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the net outstanding debt balances attributable to the acquisition of capital assets. There were no such debt balances outstanding at December 31, 2025 or 2024.
- Restricted net position has constraints placed on use, either externally or internally. Constraints include those imposed by laws and regulations of other governments. The Department did not have any restricted net position at December 31, 2025 or 2024.
- Unrestricted net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted net position" or "net investment in capital assets."

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *b. Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

#### *c. Revenue Recognition*

Revenues are recorded when distribution services are provided to customers.

Operating revenues are determined based on customer usage and demand charged at base rates for each consumer class approved by NYPA. Purchased power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss to the Department by means of a monthly "Purchased Power Adjustment" (PPA) factor.

#### *d. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and investments with original maturities of three months or less.

Reserved cash and cash equivalents and investments (Note 1e) (reserved assets) are reserved for use and purposes by the Board. Reserved assets are not restricted and can be used for working capital purposes at the discretion of the Board.

Reserved assets are held for the following purposes:

- Depreciation Reserve Fund - Transfers to this fund may be made in amounts up to, but not in excess of, the prior year's depreciation expense and are used for replacements of the utility plant. The balance in the Depreciation Fund was \$1,269,305 and \$1,256,171 at December 31, 2025 and 2024, respectively, a portion of which is composed of reserved investments.
- Liability and Casualty Reserve Fund - The Department has elected to self-insure for the first \$500,000 per occurrence of general liability and casualty losses. The balance of the Liability and Casualty Reserve Fund was \$952,455 and \$941,332 at December 31, 2025 and 2024, respectively, a portion of which is composed of reserved investments. Appropriate reserve balances are determined by the Board on an annual basis and adjusted accordingly.
- Postretirement Benefits Reserve Fund - The Department has elected to establish a reserve to fund the cost of estimated future postretirement benefits. The balance of the Postretirement Benefits Reserve Fund was \$1,762,791 and \$1,692,411 at December 31, 2025 and 2024, respectively, a portion of which is composed of reserved investments. Appropriate reserve balances are determined by the Board on an annual basis and adjusted accordingly.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### d. Cash and Cash Equivalents - Continued

- Energy Efficiency Reserve Fund - During January 2011, the Department created an Energy Efficiency Program (program) for the purpose of supporting programs that will promote energy conservation and reduce electrical energy consumption. As part of this program, the Department transferred \$500,000 of its operating cash account to an Energy Efficiency Reserve Fund to help finance the program. The program is administered internally by the Department. There was no transfer of operating cash to the program during 2025 or 2024. These contributions were designated to fund low-income energy efficiency programs offered by the Department and to finance existing Energy Efficiency Programs offered to residential customers, including rental customers, and commercial and industrial customers.

Beginning in 2021, the Energy Efficiency Reserve Fund also includes contributions from a new customer served under Service Class 8, *Individual Service Agreements*, of the Department's operating tariff. Contributions from this customer totaled \$3,791 and \$18,861 during 2025 and 2024, respectively. These funds may be used to finance additional programs and can be utilized by all customers of the Department.

The balance of the Energy Efficiency Reserve Fund was \$78,685 and \$89,762 at December 31, 2025 and 2024, respectively. The cost of these programs is reported as a reduction of net position.

The Department is required to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit. This collateral is in the form of government and government agencies' securities pledged by financial institutions, under third-party trust agreements. As of December 31, 2025, the collateral was sufficient to secure the Department's deposits.

#### e. Investments

The Department held investments in U.S. Treasury bills. These investments are carried at amortized cost. All U.S. Treasury bills mature within one year and are held in the Department's name.

The Department also held investments in the New York Cooperative Liquid Asset Securities System (NYCLASS), a cooperative investment program. Investments held by NYCLASS are measured at fair value using amortized cost as reported by NYCLASS. NYCLASS is subject to the Municipal Cooperation Agreement Amended and Restated as of March 14, 2014 (Agreement) and is structured in accordance with New York State General Municipal Law (GML), Article 3-A and Article 5-G, Sections 119-n and -o, and Chapter 623 of the Laws of 1998. All NYCLASS investment and custodial policies are in accordance with the GML, Sections 10 and 11 (as amended by Chapter 708 of the Laws of 1992). NYCLASS is rated 'AAA' by Standard and Poor's Global Ratings. Participants are allowed to conduct transactions (deposits, withdrawals, or transfers) on a normal business day.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Investments - Continued*

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Department's investments with NYCLASS are not required to be categorized within the fair value hierarchy of the governmental accounting standard on fair value measurement.

Unreserved investments at December 31, 2025 and 2024 totaled \$6,405,761 and \$6,553,416, respectively.

Reserved investments are reserved for use and purposes by the Board. Reserved investments are not restricted and can be used for working capital purposes at the discretion of the Board.

Reserved investments at December 31, 2025 and 2024 included amounts held in the Depreciation Reserve Fund, the Liability and Casualty Reserve Fund, the Postretirement Benefits Reserve Fund, and the Energy Efficiency Reserve Fund of \$2,868,524 and \$3,165,661, respectively.

#### *f. Accounts Receivable*

Accounts receivable are carried at the original invoice amounts. Management considers accounts receivable to be fully collectible. Accordingly, there is no allowance for doubtful accounts. If, in the future, management determines that amounts may be uncollectible, an allowance will be established, and operations will be charged when that determination is made. Uncollectible revenues totaled \$77,734 and \$27,056 for the years ended December 31, 2025 and 2024, respectively. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 25 days. Interest is charged on accounts receivable that are outstanding for more than 25 days and is recognized as it is charged. Interest continues to accrue while an account remains active. Once electrical service is terminated, interest charges are suspended.

#### *g. Inventory*

Inventory is valued at the lower of cost or market, with cost determined on a rolling average cost basis, and is expensed or capitalized when used. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Inventory consists of components, parts, and tools held for consumption.

#### *h. Capital Assets*

Capital assets acquired from NMPC are carried at the original cost reflected on NMPC's books at the date of acquisition. Capital assets placed into service after the acquisition are recorded at cost, including capitalized labor and overhead. Overhead costs include fringe benefits, warehouse, and truck costs. Capital assets include those constructed with capital fees received from customers or other parties. Capital fees totaled \$2,132,831 and \$2,040,265 as of December 31, 2025 and 2024, respectively. When capital assets are retired, the book cost, together with the cost of removal, is charged to accumulated depreciation. The provision for depreciation has been computed, based on asset groups, under the straight-line method utilizing rates approved by the Department. The rates range from 1.82% to 12.50% per annum, which are within the ranges prescribed by NYPA.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *h. Capital Assets - Continued*

Construction work in progress at December 31, 2025 and 2024 includes various construction projects not complete or in service at year-end.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Department periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate that the carrying value of the assets may not be recoverable. No impairment was identified in 2025 or 2024.

#### *i. Compensated Absences*

Vested or accumulated vacation and holiday leave are recorded as an expense and liability as the benefits accrue for employees. Accrued compensated absences, which is included in accounts payable and accrued expenses, totaled \$110,615 and \$98,758 at December 31, 2025 and 2024, respectively.

#### *j. Unpaid Sick Leave*

Personnel policies provide Department employees with varying amounts of sick leave. No reimbursement is made for accumulated sick leave upon the termination of employees. At retirement, a cash payment will be made for accumulated sick leave based on a sliding scale using current hourly rates as of the date of retirement. This liability is based on management's estimate of employees who will qualify at retirement to receive the benefit.

#### *k. Contributions and Other Reductions of Net Position*

The Department recognizes contributions to the Town of Massena as a reduction in net position (see Note 5). The Department recognizes contributions in aid of construction as an increase to net position. The Department recognizes costs associated with its Energy Efficiency Program as a reduction in net position (see Note 1d.)

#### *l. Deferred Outflows and Deferred Inflows of Resources*

The Department reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Pension-related deferred outflows of resources and deferred inflows of resources are more fully disclosed in Note 3. Other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are more fully described in Note 4.

#### *m. Pensions and OPEB*

Pensions are recognized using the accrual basis of accounting. The Department recognizes a net pension liability/asset for the pension plan, which represents the Department's proportionate share of the excess total pension liability over/under the pension plan assets, as actuarially calculated, of a cost-sharing, multiple-employer plan, measured as of the fiscal year-end of the plan (March 31). The Department's proportionate net pension liability/asset, pension expense, deferred outflows of resources, and deferred inflows of resources are allocated using covered payroll of the Department. Additional information related to the net pension liability/asset is described further in Note 3.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### m. Pensions and OPEB - Continued

The Department also provides health care insurance for most retired Department employees and, in certain instances, their dependents. Additional information related to OPEB, including the plan description, reporting requirements, funding policy, and related actuarial information, is described in Note 4.

#### n. Income Taxes

The Department is an operating fund of a local government located in New York State. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

#### o. Subsequent Events

The Department has evaluated subsequent events for potential recognition or disclosure through May 28, 2026, the date the financial statements were available to be issued.

### Note 2 - Capital Assets

A summary of the Department's capital assets, at cost, is as follows:

	December 31, 2025			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
Depreciable capital assets				
Buildings	\$ 9,654,641	\$ -	\$ -	\$ 9,654,641
Transmission and distribution equipment	28,376,466	867,170	(217,920)	29,025,716
Furniture, fixtures, transportation, shop, and miscellaneous equipment	3,448,549	421,046	(481,528)	3,388,067
	41,479,656	1,288,216	(699,448)	42,068,424
Less accumulated depreciation	21,753,007	1,753,950	(840,988)	22,665,969
Total depreciable capital assets	19,726,649	(465,734)	141,540	19,402,455
Non-depreciable capital assets				
Land	376,365	8,640	-	385,005
Construction work in process	347,046	1,507,247	(1,162,877)	691,416
Total capital assets	\$ 20,450,060	\$ 1,050,153	\$ (1,021,337)	\$ 20,478,876

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 2 - Capital Assets - Continued

	December 31, 2024			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
Depreciable capital assets				
Buildings	\$ 9,654,641	\$ -	\$ -	\$ 9,654,641
Transmission and distribution equipment	27,570,001	992,448	(185,983)	28,376,466
Furniture, fixtures, transportation, shop, and miscellaneous equipment	3,109,357	602,254	(263,062)	3,448,549
	40,333,999	1,594,702	(449,045)	41,479,656
Less accumulated depreciation	20,828,055	1,501,941	(576,989)	21,753,007
Total depreciable capital assets	19,505,944	92,761	127,944	19,726,649
Non-depreciable capital assets				
Land	376,365	-	-	376,365
Construction work in process	150,605	1,791,143	(1,594,702)	347,046
Total capital assets	\$ 20,032,914	\$ 1,883,904	\$ (1,466,758)	\$ 20,450,060

Depreciation expense on capital assets other than transportation and shop equipment was \$1,221,853 and \$1,198,254 for 2025 and 2024, respectively, and is reported on the statements of revenues, expenses, and changes in net position. Depreciation charges on transportation and shop equipment have been allocated to the various expense or capital asset accounts via the Department's work order system. These depreciation charges totaled \$199,673 and \$196,670 for the years ended December 31, 2025 and 2024, respectively. Net costs associated with retirement, removal, salvage, and proceeds upon the disposition of capital assets have been charged against accumulated depreciation. These costs totaled \$508,189 and \$469,717 for 2025 and 2024, respectively.

### Note 3 - Retirement System

#### a. Plan Description and Benefits Provided

The Department participates in the New York State and Local Employees' Retirement System (ERS). ERS is a cost-sharing, multiple-employer retirement system that provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York (Comptroller) serves as the Trustee of the Fund and is the administrative head of ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. ERS 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 ERS, 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 through the enactment of a New York State statute.

The Department also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The GLIP is included in the State of New York's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 3 - Retirement System - Continued

#### b. Contributions

ERS is noncontributory, except for employees who joined ERS after July 27, 1976 and contribute 3% of their salary for the first 10 years of membership and employees who joined on or after January 1, 2010 and generally contribute 3% of their salary for their entire length of service. The average contribution rate for ERS for the fiscal years ended March 31, 2025 and 2024 was approximately 15% of payroll. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during ERS's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required and were as follows:

Year ended December 31,	
2025	\$ 356,876
2024	292,384
2023	235,263

At December 31, 2025 and 2024, the Department reported a liability of \$173,733 and \$153,810, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2025 and 2024, the Department's proportion in ERS was 0.0010133% and 0.0010446%, respectively.

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

For the years ended December 31, 2025 and 2024, the Department recognized pension expense (income) of \$183,738 and (\$150,575), respectively. The Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2025		December 31, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,122	\$ 2,034	\$ 49,542	\$ 4,194
Changes in assumptions	7,286	-	58,152	-
Net differences between projected and actual investment earnings on pension plan investments	13,631	-	-	75,135
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,634	148,013	296,111	446,419
Department contributions subsequent to the measurement date	356,876	-	292,384	-
Total	<u>\$ 513,549</u>	<u>\$ 150,047</u>	<u>\$ 696,189</u>	<u>\$ 525,748</u>

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 3 - Retirement System - Continued

*c. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - Continued*

Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. The remaining 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 December 31,	
2026	\$ (19,637)
2027	42,216
2028	(16,259)
2029	306
	<hr/>
Total	\$ 6,626

*d. Actuarial Assumptions*

The total pension liability at March 31, 2025 and 2024 was determined using an actuarial valuation as of April 1, 2024 and 2023, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2025 and 2024, respectively. The actuarial valuation used the following actuarial assumptions, which are consistent year to year, unless otherwise noted:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.9%
Salary Scale	4.3% (2025) and 4.4% (2024), indexed by service
Investment Rate of Return, Including Inflation	5.9%, compounded annually, net of expenses
Decrement	Based on FY 2015-2020 experience
Mortality Improvement	Society of Actuaries' Scale MP-2021
Cost-of-Living Adjustments	1.5% annually

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 3 - Retirement System - Continued

#### d. Actuarial Assumptions - Continued

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 returns, net of investment expense 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 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, 2025 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	25.0%	3.54%
International equity	14.0%	6.57%
Private equity	15.0%	7.25%
Real estate	12.0%	4.95%
Opportunistic/ARS portfolio	3.0%	5.25%
Credit	4.0%	5.40%
Real assets	4.0%	5.55%
Fixed income	22.0%	2.00%
Cash	1.0%	0.25%
	100.0%	

#### e. Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for the years ended December 31, 2025 and 2024. 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 contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, ERS's 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.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 3 - Retirement System - Continued

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

The following presents the Department's proportionate share of the net pension liability at December 31, 2025, calculated using the discount rate of 5.9%, as well as what the Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Department's proportionate share of the net pension liability (asset)	\$ 502,804	\$ 173,733	\$ (101,042)

*g. Pension Plan Fiduciary Net Position*

The components of the net pension liability of ERS were as follows (dollars in thousands):

	March 31,	
	2025	2024
Employers' total pension liability	\$ 247,600,239	\$ 240,696,851
Plan net position	(230,454,512)	(225,972,801)
Employers' net pension liability	\$ 17,145,727	\$ 14,724,050
Ratio of plan net position to the employers' total pension liability	93.08%	93.88%

### Note 4 - Postemployment Benefits Other Than Pensions

*a. Plan Description*

The Department provides health care insurance benefit programs for most retired Department employees and, in certain instances, their dependents. All Department employees become eligible for such benefits when they attain certain age and service requirements while employed by the Department.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 4 - Postemployment Benefits Other Than Pensions - Continued

#### b. Reporting Requirements

The Department's postemployment benefit plan is a deferred compensation arrangement, whereby the Department promises to exchange future benefits for employees' current services. The accounting for these benefits is determined under the accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees. A summary of active employees and retirees and survivors covered under this benefit program as of December 31, 2025 (using a January 1, 2025 measurement date) is as follows:

Active, not eligible to retire	16
Active, eligible to retire	4
Retired and surviving spouses	10
Retiree spouses covered	3
	33
	33

#### c. Funding Policy

Currently, the Department's cost of its postemployment benefits program is determined on a pay-as-you-go basis and, therefore, is unfunded. However, to demonstrate financial responsibility, the Department established the Postretirement Benefits Reserve Fund to designate certain cash balances to fund the program's future liabilities. The balance of this reserve was \$1,762,791 and \$1,692,411 at December 31, 2025 and 2024, respectively.

Premiums paid by the Department on behalf of current retirees and their spouses totaled \$112,617 and \$126,321 for the years ended December 31, 2025 and 2024, respectively.

#### d. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

At December 31, 2025 and 2024, the Department reported an OPEB liability of \$2,607,016 and \$2,704,066, respectively. The OPEB liability was measured as of December 31, 2025 and 2024 by an actuarial valuation as of January 1, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, the Department recognized OPEB expense of \$30,901 and \$74,730, respectively. At December 31, the Department reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 229,188	\$ 102,289	\$ 212,915	\$ 146,762
Changes in assumptions or other inputs	111,924	391,264	139,223	402,012
	\$ 341,112	\$ 493,553	\$ 352,138	\$ 548,774

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 4 - Postemployment Benefits Other Than Pensions - Continued

*d. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued*

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

Year ending December 31,	
2026	\$ (103,652)
2027	(103,652)
2028	5,835
2029	53,408
2030	(3,405)
Thereafter	<u>(975)</u>
Total	<u>\$ (152,441)</u>

*e. Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of costs to the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB Statement No. 75 were provided by the Burke Group, the Department's independent actuaries for the years ended December 31, 2025 and 2024.

The following simplifying assumptions were made:

- Retirement Age and Service Period for Active Employees – An employee must have 30 years of service or be age 55 with 10 years of service.
- Marital Status – It is assumed that 70% of retirees will be married at the time of their retirement, with males assumed to be three years older than females. Actual spousal information was used for retirees. Surviving spouses are eligible to continue benefits under the plan.
- Mortality – Life expectancies were based on the Publication 2016 Public Retirement Plans Mortality Tables Publication and 2010 Public Retirement Plans Mortality Tables for 2025 and 2024, respectively, both using Scale MP-2021.
- Termination Rates – Retirement rates are based on the 2003 Society of Actuaries' small plan withdrawal tables.
- Retirement Rates – Employees are assumed to retire at the later of age 62 or the first date of eligibility.
- Health Care Cost Trend Rate – Short-term trend rates were based on the National Health Expenditure Projections 2016-2032 and reflect the impact of legislative changes in 2023 and future years. Long-term trend rates were developed using the Society of Actuaries' Getzen Long-Term Health Care Cost Trend Resource Model.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 4 - Postemployment Benefits Other Than Pensions - Continued

#### e. Methods and Assumptions - Continued

##### Other Related Information

The remaining actuarial assumptions and methods used for the valuation of the Department's postemployment benefits program as of December 31, 2025 and 2024 were as follows:

Discount Rate	4.42% for 2025; 3.88% for 2024
Salary Scale	3.30%

#### f. Changes in the Net OPEB Liability

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 2,704,066	\$ 2,361,360
Changes for the year		
Service cost	34,958	31,234
Interest	99,595	102,747
Differences between expected and actual experience	70,648	220,418
Changes in assumptions and other inputs	(130,105)	166,522
Benefit payments	<u>(172,146)</u>	<u>(178,215)</u>
Balance, end of year	<u>\$ 2,607,016</u>	<u>\$ 2,704,066</u>

##### Sensitivity to the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

The following presents the OPEB liability as of December 31, 2025, calculated using current health care cost trend rates, as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u> <u>(4.30% to 2.71%)</u>	<u>Current</u> <u>Discount</u> <u>(5.30% to 3.71%)</u>	<u>1% Increase</u> <u>(6.30% to 4.71%)</u>
Department's proportionate share of the OPEB liability	\$ 2,341,086	\$ 2,607,016	\$ 2,915,870

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 4 - Postemployment Benefits Other Than Pensions - Continued

#### *f. Changes in the Net OPEB Liability - Continued*

#### Sensitivity to the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate - Continued

The following presents the OPEB liability as of December 31, 2025, calculated using the current discount rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.42%)	Current Discount (4.42%)	1% Increase (5.42%)
Department's proportionate share of the OPEB liability	\$ 2,855,082	\$ 2,607,016	\$ 2,390,746

### Note 5 - Related-Party Transactions

The Department provides the Town with electric service related to public street lighting, other types of lighting, and municipal-owned facilities. Revenue from this service totaled \$90,879 and \$77,527 for the years ended December 31, 2025 and 2024, respectively. Balances due to the Department for this service totaled \$1,570 and \$1,509 at December 31, 2025 and 2024, respectively, and are included in accounts receivable.

In addition, during the years ended December 31, 2025 and 2024, the Department paid \$86,337 and \$74,897, respectively, as a "payment in lieu of taxes" (PILOT) based on the assessed value of its operating property within the Town multiplied by the Town's property tax rate. The PILOT payment has been included in property tax expense in these financial statements. The Department also donated \$9,082 and \$5,015 in labor costs and other services to the Town during 2025 and 2024, respectively. The donated labor costs and other services are considered contributions to the Town's General Fund and have been reported herein as a reduction of net position.

### Note 6 - Commitments and Contingencies

#### *a. Power Supply Contracts*

Electric power distributed by the Department is obtained from NYPA under a supply contract that expires during 2035. The Department is entitled to 23,640 kilowatts of firm hydroelectric power and associated energy. Demand and energy charges under this contract are subject to the change and approval of regulatory authorities. There are no minimum capacity or other fixed-charge components to this contract. Electric purchases under this contract totaled \$1,877,639 and \$1,904,465 for 2025 and 2024, respectively.

Power required in excess of the 23,640 kilowatts of hydroelectric power is provided to the Department by NYPA under an Incremental Power Supply Agreement signed in 2019. The incremental power is purchased from the New York Independent System Operators (NYISO) by NYPA on behalf of the Department. Incremental power rates fluctuate on an hourly basis. Purchases under this agreement totaled \$4,733,568 and \$2,470,479 for 2025 and 2024, respectively.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### Note 6 - Commitments and Contingencies - Continued

#### a. *Power Supply Contracts - Continued*

NYPA also serves as transmission service provider for the Department. The Transmission Service Charge (TSC) billed by NYPA is in accordance with the tariff rates approved for NYPA. The present rate is equal to \$300 per MW-Week. TSC-related charges were \$472,625 and \$483,353 in 2025 and 2024, respectively.

The Department also maintains an agreement with Long Sault, Inc. (a subsidiary of ALCOA, Inc.) for the transmission of capacity on Long Sault, Inc.'s circuits for \$132,000 per year. The original agreement was signed in 1988 and has an annual recalculation to account for inflation. The contract is cancelable with 24 months' notice by either party. Both parties are content with the present arrangement but are exploring structures that would extend the agreement. Electric wheeling charges under this contract totaled \$322,340 and \$320,642 for 2025 and 2024, respectively.

#### b. *NYISO*

NYISO is a not-for-profit corporation under the support of the Federal Electric Regulatory Commission, with responsibility to provide free access to the electric transmission facilities within New York State. All NYISO costs are billed to users of the electric transmission grid. Pricing is market-based rather than cost-based. NYISO charges totaled \$2,175,436 and \$1,294,915 for the years ended December 31, 2025 and 2024, respectively. These costs are included in electricity purchased.

#### c. *Clean Energy Standards*

Effective February 22, 2017, the PSC approved the Phase 1 Implementation Plan associated with PSC Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard (CES)*. Case 15-E-0302 requires the procurement of Renewable Energy Credits (REC) and Zero-Emissions Credits (ZEC) by all load-serving entities (LSE) in New York State. As part of the Department's agreement with NYPA, the cost of the Department's required RECs have been assumed by NYPA.

The cost of the ZECs to the Department were \$651,163 and \$753,991 for the years ended December 31, 2025 and 2024, respectively. The costs associated with the ZECs have been passed on to the Department's customers, in their entirety, through the CES surcharge applied to each customer's monthly bill. As such, the impact of the ZECs on the Department's statement of revenues, expenses, and changes in net position is revenue-neutral.

#### d. *Collective Bargaining Agreements*

The Department maintains collective bargaining agreements with the "Blue Collar Unit" and "White Collar Unit" of IBEW Local 1249. These collective bargaining agreements cover certain groups of Department employees. During July 2024, the Department entered into agreements with both units, which are retroactive to July 1, 2023 and expire on June 30, 2030.

#### e. *Litigation*

The Department is involved in certain suits and claims arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Department or the results of its operations.

# Massena Electric Department

(An Enterprise Fund of the Town of Massena, New York)

## Notes to Financial Statements December 31, 2025 and 2024

### **Note 7 - Business Risks and Uncertainties**

The Department is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions, weather, and natural disaster disruptions; collective bargaining labor disputes; and governmental regulation.

### **Note 8 - Accounting Pronouncements Issued But Not Yet Implemented**

GASB Statement No. 103, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model, including a reiteration of the Management's Discussion and Analysis requirements, description and presentation requirements for unusual or infrequent items, definitions of non-operating revenues and expenses, major component unit presentation requirements, and the requirement that budgetary comparison information be presented as required supplementary information versus a statement. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. It also establishes disclosure requirements for capital assets held for sale, including disclosures relating to debt for which the capital assets held for sale are pledged as collateral. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

Management has not yet estimated the extent of the potential impact of these statements on the Department's financial statements.

**Massena Electric Department**  
(An Enterprise Fund of the Town of Massena, New York)

Required Supplementary Information  
Schedule of the Local Government's Proportionate Share of the Net Pension Liability  
Years Ended December 31,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Department's proportion of the net pension liability (asset)	0.0010133%	0.0010446%	0.0010400%	0.0010396%	0.0058496%	0.0080568%	0.0073826%	0.0067748%	0.0070199%	0.0078764%
Department's proportionate share of the net pension liability (asset)	\$ 173,733	\$ 153,810	\$ 223,002	\$ (84,980)	\$ 5,825	\$ 2,028,064	\$ 458,302	\$ 199,402	\$ 608,065	\$ 1,204,486
Department's covered-employee payroll	\$ 2,071,144	\$ 1,859,048	\$ 1,823,704	\$ 1,758,664	\$ 1,870,686	\$ 1,756,813	\$ 1,682,599	\$ 1,743,788	\$ 1,592,430	\$ 1,646,591
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.39%	8.27%	12.23%	-4.83%	0.31%	115.44%	27.24%	11.43%	38.18%	73.15%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%
The following is a summary of changes in assumptions:										
Inflation	2.90%	2.90%	2.90%	2.70%	2.70%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary increases	4.30%	4.40%	4.40%	4.40%	4.40%	4.20%	4.20%	3.80%	3.80%	3.80%
Cost-of-living adjustments	1.50%	1.50%	1.50%	1.40%	1.40%	1.30%	1.30%	1.30%	1.30%	1.30%
Investment rate of return	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018	MP-2014	MP-2014	MP-2014

**Massena Electric Department**  
(An Enterprise Fund of the Town of Massena, New York)

Required Supplementary Information  
Schedule of Local Government Pension Contributions  
Years Ended December 31,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 356,876	\$ 292,384	\$ 235,263	\$ 202,543	\$ 301,568	\$ 253,216	\$ 241,886	\$ 253,529	\$ 237,178	\$ 247,108
Contributions in relation to the contractually required contribution	\$ 356,876	\$ 292,384	\$ 235,263	\$ 202,543	\$ 301,568	\$ 253,216	\$ 241,886	\$ 253,529	\$ 237,178	\$ 247,108
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered-employee payroll	\$ 2,071,144	\$ 1,859,048	\$ 1,823,704	\$ 1,758,664	\$ 1,870,686	\$ 1,756,813	\$ 1,682,599	\$ 1,743,788	\$ 1,592,430	\$ 1,646,591
Contribution as a percentage of covered-employee payroll	17.23%	15.73%	12.90%	11.52%	16.12%	14.41%	14.38%	14.54%	14.89%	15.01%

**Massena Electric Department**  
(An Enterprise Fund of the Town of Massena, New York)

Required Supplementary Information  
Schedule of Other Postemployment Benefits Liability

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 2,704,066	\$ 2,361,360	\$ 2,439,736	\$ 3,479,613	\$ 3,151,851	\$ 3,212,544	\$ 2,996,274	\$ 3,268,854
Changes for the year								
Service cost	34,958	31,234	32,977	55,178	48,443	46,032	44,005	49,466
Interest	99,595	102,747	99,767	73,403	72,914	84,805	110,294	110,520
Differences between expected and actual experience	70,648	220,418	41,949	(280,181)	289,641	(95,529)	(285,117)	(148,022)
Changes in assumptions and other inputs	(130,105)	166,522	(47,777)	(705,223)	91,561	78,774	507,631	(123,940)
Benefit payments	(172,146)	(178,215)	(205,292)	(183,054)	(174,797)	(174,775)	(160,543)	(160,604)
Balance, end of year	<u>\$ 2,607,016</u>	<u>\$ 2,704,066</u>	<u>\$ 2,361,360</u>	<u>\$ 2,439,736</u>	<u>\$ 3,479,613</u>	<u>\$ 3,151,851</u>	<u>\$ 3,212,544</u>	<u>\$ 2,996,274</u>
Covered payroll	\$ 1,974,090	\$ 1,911,026	\$ 1,845,831	\$ 1,782,895	\$ 1,630,195	\$ 1,575,981	\$ 1,585,369	\$ 1,528,446
Liability as a percentage of covered payroll	132.06%	141.50%	127.93%	136.84%	213.45%	199.99%	202.64%	196.03%
The following is a summary of changes in assumptions:								
Health care cost trend rates	5.30% to 3.71%	5.30% to 3.71%	5.10% to 3.86%	5.50% to 4.00%	6.10% to 4.37%	4.00% to 4.08%	5.20% to 4.18%	5.20% to 4.32%
Salary scale	3.30%	3.30%	3.42%	3.53%	3.44%	3.11%	3.22%	3.36%
Discount rate	4.42%	3.88%	4.64%	4.40%	2.19%	2.41%	2.75%	3.83%
Base mortality rates	Pub-2016	Pub-2010	Pub-2010	Pub-2010	Pub-2010	Pub-2010	Pub-2010	RPH-2014
Society of Actuaries' mortality scale	MP-2021	MP-2021	MP-2021	MP-2021	MP-2021	MP-2020	MP-2019	MP-2018

Data not available prior to the 2018 implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditor's Report**

Board of Directors  
Massena Electric Department

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Massena Electric Department (Department), an enterprise fund of the Town of Massena, New York, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 28, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST & Co. CPAs, LLP

Latham, New York  
May 28, 2026

